Commonwealth Bank of Australia
U.S. Disclosure Document

For the Full Year ended 30 June 2018

This page has been intentionally left blank

Contents

Section 1 - Disclosures	4
Section 2 - Highlights	12
Section 3 - Group Performance Analysis	33
Section 4 - Group Operations and Business Settings	57
Section 5 - Divisional Performance	78
Section 6 - Other Information	116
Section 7 - Appendices	152

This page has been intentionally left blank

Contents

Section 1 - Disclosures

Introduction 5

Segment Disclosure 5

Special Note Regarding Forward-Looking Statements 6

Financial Information Definitions 7

Impact of Foreign Currency Movements 8

Non-Cash Items Included in Statutory Profit 9

Disclosures

Introduction

Certain material information about the Group, including information regarding the Group's risk management policies and procedures, use of derivative financial instruments and the market risk attributable to such instruments, liquidity and capital resources and other important information, is included in the Group's 2018 Financial Report and 2017 Financial Report (each as defined below). In particular, Note 9.1 to the 2018 Financial Report (Note 31 to the 2017 Financial Report) describes certain aspects of the Group's risk management policies and procedures. In addition, the Group prepares a Basel III Pillar 3 Capital Adequacy and Risk Disclosures report, which includes certain information about the Group's capital and assets. As a result, this Annual U.S. Disclosure Document for the Full Year ended 30 June 2018 (this "Document") should be read in conjunction with:

- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2018, which contains the Financial Statements for the years ended 30 June 2016, 2017 and 2018 and as at 30 June 2017 and 2018 (the "2018 Financial Report");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2017, which contains the Financial Statements for the years ended 30 June 2015, 2016 and 2017 and as at 30 June 2016 and 2017 (the "2017 Financial Report"); and
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at 30 June 2018.

In each case, these are found on the U.S. Investor Website located at www.commbank.com.au/usinvestors (the "U.S. Investor Website").

Except as otherwise stated, references within this Document to the "Financial Report" or "Notes to the Financial Statements" are to the 2018 Financial Report and references to the "Financial Reports" are to the 2017 Financial Report and the 2018 Financial Report.

Except as otherwise stated, all figures herein relate to the financial year ended 30 June 2018 and comparatives for the Balance Sheet and Income Statement are to the financial year ended 30 June 2017, "$" and "AUD" refer to Australian dollars, "USD" refers to U.S. dollars, references to "CBA" refer to the Commonwealth Bank of Australia and references to the "Bank" or the "Group" refer to the Bank and its subsidiaries on a consolidated basis. The Group's financial years end on June 30 of each year. References to the 2018 financial year or to the "current year" are to the financial year ended 30 June 2018, references to the 2017 financial year are to the financial year ended 30 June 2017, references to the 2016 financial year are to the financial year ended 30 June 2016 and references to the "prior year" are to the Group's prior financial year.

Segment Disclosure

The Group conducts its businesses through seven segments: Retail Banking Services; Business and Private Banking; Institutional Banking and Markets; Wealth Management; New Zealand; Bankwest, International Financial Services ("IFS") and Other.

Balances disclosed in "Divisional Performance", are spot balances, unless otherwise stated. For an overview of each segment, see "Description of Business Environment" in this Document and Note 2.7 to the 2018 Financial Report.

Disclosures

Special Note Regarding Forward-Looking Statements

Certain statements under the captions "Highlights", "Risk Factors" "Group Performance Analysis", "Retail Banking Services", "Business and Private Banking", "Institutional Banking and Markets", "Wealth Management", "New Zealand", "Bankwest", "IFS" and "Other", "Group Operations and Business Settings" and elsewhere in this Document constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include current and future extensive regulation and political scrutiny to which the Group is subject, legal and regulatory actions against the Group, reputational damage, general business and economic conditions, disruptions in the global financial markets and associated impacts, a downturn in the Australian and New Zealand economies, losses associated with the Group's counterparty exposures, liquidity and funding risks, failure to meet the capital adequacy and liquidity requirements to which the Group is subject, failure to hedge effectively against market risks, operational risks associated with being a large financial institution, including ineffective risk management or other processes and strategies, compliance risk, information security risks, including cyber-attacks, any inappropriate conduct of the Bank's staff, human capital risk including the loss of key executives, employees or Board members, insurance risk, strategic risk, investor activism, competition in the industries in which the Group conducts business, risks related to any acquisitions or divestments that the Group makes or is contemplating, climate change and catastrophic events, and various other factors beyond the Group's control. Given these risks, uncertainties and other factors, potential investors are cautioned not to place undue reliance on such forward-looking statements.

Risk factors applicable to the Group are detailed on pages 19 to 28 of this Document.

Disclosures

Financial Information Definitions

Basis of preparation

The consolidated Financial Statements of the Group for the years ended 30 June 2018, 30 June 2017 and 30 June 2016 comply with International Financial Reporting Standards ("IFRS").

This Document and the Financial Reports are presented in Australian Dollars, unless otherwise stated. The accounting policies adopted are consistent with those of the previous financial year.

Non-GAAP Financial Measures

In addition to its statutory financial results reported in this Document and the Financial Reports in accordance with IFRS, the Group reports and describes certain "non-GAAP financial measures" (as defined in SEC Regulation G) of the financial performance and results of the Group. These non-GAAP financial measures are not calculated in accordance with IFRS. This Document contains reconciliations of these non-GAAP financial measures to the Group's financial results prepared in accordance with IFRS.

Net Profit after Tax

The management discussion and analysis in this Document presents Net profit after tax on both a "statutory basis" and a "cash basis".

Net profit after tax ("statutory basis") is prepared in accordance with the Corporations Act 2001 (the "Corporations Act") and the Australian Accounting Standards, which comply with IFRS. References to "statutory profit", "statutory net profit after tax" or "statutory earnings" in this Document have the same meaning as "Net profit after tax ("statutory basis")".

Net profit after tax ("cash basis") is a non-GAAP financial measure that is defined by management as net profit after tax and non-controlling interests before non-cash items including, hedging and IFRS volatility, Bankwest non-cash items, treasury shares valuation adjustment, and losses or gains on acquisition, disposal, closure and demerger of businesses. Net profit after tax ("cash basis") is management's preferred measure of the Bank's financial performance. This measure is used by management to present what it believes to be a clear view of the Group's underlying operating results, excluding certain items that the Group believes introduce volatility and/or one-off distortions of the Group's performance. These items, such as hedging and IFRS volatility, are calculated consistently period on period and do not discriminate between positive and negative adjustments. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report. A list of items excluded from Net profit after tax ("cash basis") and their description is set out on page 9 of this Document. References to "cash profit" or "cash earnings" in this Document have the same meaning as "Net profit after tax ("cash basis")".

Other Non-GAAP Financial Measures

Other non-GAAP financial measures included in this Document are:

- Earnings per share ("cash basis") – the Group presents its earnings per share on both a statutory and a cash basis. Earnings per share ("cash basis") is defined by management as Net profit after tax ("cash basis") as described above, divided by the weighted average number of the Group's ordinary shares ("cash basis") over the relevant period. The weighted average number of shares ("cash basis") incorporates an adjustment for the bonus element of any rights issue and excludes treasury shares related to investments in the Bank's shares held by the employee share scheme trust; and
- The dividend payout ratio and dividend cover are presented on both a statutory and cash basis. The dividend payout ratio ("statutory basis") is calculated by dividing the dividends paid on the Group's ordinary shares by the Net profit after tax ("statutory basis"), net of dividends on other equity instruments. The dividend payout ratio ("cash basis") is calculated by dividing the dividends paid on the Group's ordinary shares by Net profit after tax ("cash basis"), net of dividends on other equity instruments. "Dividend cover – statutory" is calculated as Net profit after tax ("statutory basis") net of dividends on other equity instruments, divided by dividends on the Group's ordinary shares for the applicable period. "Dividend cover – cash" is calculated as Net profit after tax ("cash basis") net of dividends on other equity instruments, divided by dividends on the Group's ordinary shares for the applicable period. These ratios are provided on both a statutory and cash basis because Net profit after tax, the primary component of these ratios, is also presented on a statutory and cash basis, for the reasons described above.

Reclassification of certain Income Statement and Balance Sheet Information

The Group has made a number of changes to the financial disclosures within this Document compared to the financial disclosures made for prior periods. Where necessary, comparative information has been restated to conform to changes in presentation in the current period and footnoted throughout this Document. However certain reclassifications among the Group's customer segments have not been restated for the 2016 financial year. In order to provide a meaningful comparison to the Group's historical operations, certain "Restated" customer segment figures are presented for the 2017 financial year and "As reported" customer segment figures are presented for the 2017 financial year and 2016 financial year. A description of these changes and their impact on each segment's Net profit after tax ("statutory basis"), Balance Sheet and cost to income ratios for the comparative periods is set out in Appendix C to this Document.

Impact of Foreign Currency Movements

The Group's consolidated financial results are presented in Australian dollars. In order to prepare the Group's consolidated financial results, the financial results of any reporting entities of the Group with a functional currency other than Australian dollars are translated into Australian dollars for each reporting period. As foreign exchange rates are subject to change, the Group's financial results can be affected by the prevailing rate of the Australian dollar at the time of such translations. The effects of these translations on various segments of the Group's business are noted throughout this Document.

The movement of the Australian dollar against the following currencies is highlighted in the table below.

		As at		
Exchange Rates Utilised (1)	**Currency**	**30 Jun 18**	30 Jun 17	30 Jun 16
AUD 1.00 =	USD (2)	**0. 7399**	0. 7676	0. 7432
	EUR	**0. 6350**	0. 6720	0. 6689
	GBP	**0. 5635**	0. 5903	0. 5534
	NZD	**1. 0909**	1. 0493	1. 0470
	JPY	**81. 7215**	86. 1110	76. 2441

(1) End of day, Sydney time.
(2) USD translated from AUD using the 30 June 2018 month end Noon Buying Rates (see Month End Noon Buying Rates under "Financial Review – Exchange Rates" on page 29 of this Document).

		Average rates		
Exchange Rates Utilised (1)	**Currency**	**30 Jun 18**	30 Jun 17	30 Jun 16
AUD 1.00 =	USD (2)	**0. 7741**	0. 7542	0. 7270
	EUR	**0. 6501**	0. 6919	0. 6566
	GBP	**0. 5761**	0. 5949	0. 4918
	NZD	**1. 0850**	1. 0586	1. 0907
	JPY	**85. 5738**	82. 2558	85. 0665

(1) Average of end of day Sydney time rates for the 12 month period. Source: Noon Buying Rates (as defined in "Financial Review – Exchange Rates" on page 29 of this Document) for USD.
(2) USD translated from AUD using the 30 June 2018 month end Noon Buying Rates (see month end Noon Buying Rates under "Financial Review – Exchange Rates" on page 29 of this Document).

The Group hedges foreign currency exposures on debt issues and significant foreign currency earnings exposures in offshore locations.

For further information regarding the composition of the Group's income by location please refer to Note 2.7 to the 2018 Financial Report.

The references to the stronger Australian dollar or higher Australian dollar in this Document are to the strengthening of the Australian dollar against the currencies disclosed in the table above during the current year.

Disclosures

Non-Cash Items Included in Statutory Profit

	Full Year Ended				
	30 Jun 18	30 Jun 17	30 Jun 16	Jun 18 vs	Jun 17 vs
	$M	$M	$M	Jun 17 %	Jun 16 %
(Loss)/gain on acquisition, disposal, closure and demerger of businesses (1)	**(183)**	-	-	n/a	-
Hedging and IFRS volatility	**101**	73	(199)	38	large
Bankwest non-cash items	**(3)**	(3)	(27)	-	(89)
Treasury shares valuation adjustment	**2**	(23)	4	large	large
Other non-cash items	**(1)**	(26)	(23)	(96)	13
Total non-cash items (after tax)	**(83)**	47	(222)	large	large

Non-Cash items attributable to continuing and discontinuing operations are set out below

	Full Year Ended				
	30 Jun 18	30 Jun 17	30 Jun 16	Jun 18 vs	Jun 17 vs
	$M	$M	$M	Jun 17 %	Jun 16 %
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**44**	-	n/a	n/a	n/a
Hedging and IFRS volatility	**101**	73	n/a	38	n/a
Bankwest non-cash items	**(3)**	(3)	n/a	-	n/a
Non-cash items (after tax) from continuing operations	**142**	70	n/a	large	n/a
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**(227)**	-	n/a	n/a	n/a
Treasury shares valuation adjustment discontinued operations	**2**	(23)	n/a	large	n/a
Non-cash items (after tax) from discontinued operations	**(225)**	(23)	n/a	large	n/a
Total non-cash items (after tax)	**(83)**	47	n/a	large	n/a

(1) Includes transaction and separation costs associated with the disposal of CommInsure Life and Sovereign ($136 million) and fair value adjustments due to the reclassification of TymeDigital as a discontinued operation ($91 million), demerger costs for wealth management and mortgage broking business ($21 million), a gain recognised on acquisition of AHL Holdings Pty Ltd (trading as Aussie Home Loans) ($58 million), a gain on sale of County Banks ($11 million), and a loss due to the dilution of the Bank's interest in Qilu Bank Co. Ltd ($4 million).

Non-cash items are excluded from Net profit after tax ("cash basis"), which is management's preferred measure of the Group's financial performance, as they tend to be non-recurring in nature or are not considered representative of the Group's ongoing financial performance. The impact of these items on the Group's Net profit after tax ("statutory basis") is outlined below and treated consistently with prior comparative period and prior half disclosures. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

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

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

Hedging and IFRS volatility

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

Fair value gains or losses on all of these economic hedges are excluded from Net profit after tax ("cash basis"), because the asymmetric recognition of the gains or losses does not affect the Group's performance over the life of the hedge. A $101 million after tax gain was recognised in Net profit after tax ("statutory basis") for the year ended 30 June 2018 (30 June 2017: $73 million after tax gain, 30 June 2016: $199 million after tax loss).

Non-Cash Items Included in Statutory Profit (continued)

Bankwest non-cash items

The acquisition of Bankwest resulted in the recognition of assets at fair value, representing certain financial instruments, core deposits, customer lists and brand name totalling $463 million. The core deposits and customer lists have been amortising over their useful life, resulting in amortisation charges of $3 million after tax in the year ended 30 June 2018 (30 June 2017: $3 million; 30 June 2016: $27 million). As at 31 December 2015 the core deposits have been fully amortised, while the customer list continued to be amortised.

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

Treasury shares valuation adjustment

Under IFRS, Commonwealth Bank of Australia shares held by the Group in the managed funds and life insurance businesses are defined as treasury shares and are held at cost. Distributions and realised and unrealised gains and losses were recognised in cash profit representing the underlying performance of the asset portfolio attributable to the wealth and life insurance businesses. These distributions, gains and losses are reversed as non-cash items for statutory reporting purposes. A $2 million after tax gain was included in statutory profit in the year ended 30 June 2018 (30 June 2017: $23 million after tax loss, 30 June 2016: $4 million after tax gain).

This page has been intentionally left blank

Contents

Section 2 - Highlights

FY18 Headline Results Snapshot	13
Group Performance Summary	14
Key Performance Indicators	15
Market Share	18
Credit Ratings	18
Risk Factors	19
Financial Review	29

FY18 Headline Results Snapshot

(continuing operations basis [(1)(2)])

	FY18	FY17	Change	Pro-forma: Excl one-off items [(3)]
Statutory earnings ($M)	9,375	9,766	↓ 4.0%	↑ 4.4% ($10,153m)
Cash earnings ($M)	9,233	9,696	↓ 4.8%	↑ 3.7% ($10,011m)
Total operating income ($M)	25,907	25,257	↑ 2.6%	↑ 3.4% ($25,670m)
Total operating expenses ($M)	11,599	10,622	↑ 9.2%	↑ 3.1% ($10,547m)
Loan impairment expense ($M)	1,079	1,095	↓ 1.5%	
Cost to income (efficiency ratio) [(4)]	44.8%	42.1%	↑ 270 bpts	↓ 10 bpts (41.1%)
Return on equity (%) [(4)]	14.1	15.7	↓ 160 bpts	↓ 30 bpts (15.3%)
Capital ratio CET1 (APRA) [(5)]	10.1%	10.1%	Flat	
Customer deposit funding ratio (%) [(5)]	68	67	↑ 1%	
Weighted average maturity of long-term debt (years) [(5)]	5.1	4.1	↑ 1.0 year	
Liquidity coverage ratio (%) [(5)]	131	129	↑ 2%	
Net Stable Funding Ratio (%) [(5)]	112	107	↑ 5%	
Cash basic earnings per share (cents)	528.6	563.4	↓ 6.2%	↑ 2.2% (573.1 cents)
Dividends per share (cents) [(5)]	431	429	↑ 2 cents	

(1) On 21 September 2017 CBA announced the sale of 100% of its life insurance business including CommInsure Life ("CommInsure") and Sovereign to AIA Group Limited ("AIA"). On 23 May 2018, the Bank announced the sale of its 37.5% equity interest in BoComm Life Insurance Company Limited ("BoComm Life") to Mitsui Sumitomo Insurance Co., Ltd ("MSI"). The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The financial results have been restated and presented on a continuing operations basis excluding the CommInsure, BoComm Life and TymeDigital businesses (discontinued operations).

(2) Comparative information has been restated to conform to presentation in the current period. Refer to "Disclosures — Financial Information Definitions — Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

(3) The full year ended 30 June 2018 is adjusted to exclude $700 million for the Australian Transaction Reports and Analysis Centre ("AUSTRAC") civil penalty, an increase of $226 million in income and $190 million in expense from the consolidation of AHL Holdings Pty Limited ("AHL") as the Bank acquired the remaining 20% share on 25 August 2017, an increase of $4 million in income and $7 million in expense from the acquisition of eChoice, $7 million of equity accounted profits relating to AHL, and $155 million of one-off regulatory costs. The full year ended 30 June 2017 is adjusted to exclude a $397 million gain on sale of the Bank's remaining investment in Visa Inc., a $393 million one-off expense for acceleration of amortisation on certain software assets, and $41 million of equity accounted profits from AHL. For more details on the AUSTRAC proceedings and AUSTRAC civil penalty, see "Description of Business Environment – Legal Proceedings".

(4) Presented on a cash basis. For definitions refer to Appendix B. Cost to income efficiency ratio in the table above has the same definition of expense to income ratio as presented in Appendix B.

(5) Numbers are presented including discontinued operations.

Highlights

Group Performance Summary

	Full Year Ended ("statutory basis")				Full Year Ended ("cash basis")			
		Restated [1]	As reported			Restated [1]	As reported	
	30 Jun 18	30 Jun 17	30 Jun 17	30 Jun 16	**30 Jun 18**	30 Jun 17	30 Jun 17	30 Jun 16
Group Performance Summary	**$M**	$M	$M	$M	**$M**	$M	$M	$M
Net interest income	**18,341**	17,543	17,600	16,935	**18,341**	17,543	17,600	16,935
Other banking income	**5,390**	5,684	5,626	4,576	**5,182**	5,578	5,520	4,860
Total banking income	**23,731**	23,227	23,226	21,511	**23,523**	23,121	23,120	21,795
Funds management income	**2,099**	1,928	2,051	2,061	**2,091**	1,913	2,034	2,016
Insurance income	**302**	231	844	1,006	**293**	223	786	795
Total operating income [2]	**26,132**	25,386	26,121	24,578	**25,907**	25,257	25,940	24,606
Investment experience	**n/a**	n/a	n/a	n/a	**17**	23	65	141
Total income	**26,132**	25,386	26,121	24,578	**25,924**	25,280	26,005	24,747
Operating expenses [3]	**(11,633)**	(10,626)	(11,082)	(10,473)	**(11,599)**	(10,622)	(11,078)	(10,434)
Loan impairment expense	**(1,079)**	(1,095)	(1,095)	(1,256)	**(1,079)**	(1,095)	(1,095)	(1,256)
Net profit before tax	**13,420**	13,665	13,944	12,849	**13,246**	13,563	13,832	13,057
Corporate tax expense [4]	**(4,026)**	(3,879)	(3,992)	(3,606)	**(3,994)**	(3,847)	(3,927)	(3,592)
Non-controlling interests [5]	**(19)**	(20)	(24)	(20)	**(19)**	(20)	(24)	(20)
Net profit after tax from continuing operations ("cash basis")	**9,375**	9,766	9,928	9,223	**9,233**	9,696	9,881	9,445
Net profit after tax from discontinued operations	**(46)**	162	-	-	**179**	185	-	-
Net profit after tax ("cash basis")	**9,329**	9,928	9,928	9,223	**9,412**	9,881	9,881	9,445
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**n/a**	n/a	n/a	n/a	**(183)**	-	-	-
Hedging and IFRS volatility [6]	**n/a**	n/a	n/a	n/a	**101**	73	73	(199)
Other non-cash items [6]	**n/a**	n/a	n/a	n/a	**(1)**	(26)	(26)	(23)
Net profit after tax ("statutory basis")	**9,329**	9,928	9,928	9,223	**9,329**	9,928	9,928	9,223
Represented by:								
Retail Banking Services	**5,251**	4,933	4,964	4,540				
Business and Private Banking	**1,888**	1,808	1,639	1,522				
Institutional Banking and Markets	**1,121**	1,311	1,306	1,190				
Wealth Management	**725**	529	530	616				
New Zealand	**1,158**	992	1,000	742				
Bankwest	**678**	573	699	751				
International Financial Services	**31**	93	93	52				
Other	**(1,523)**	(311)	(303)	(190)				
Net profit after tax ("statutory basis")	**9,329**	9,928	9,928	9,223				

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures — Financial Information Definitions — Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

(2) The full year ended 30 June 2018 includes $226 million in income from the consolidation of AHL as the Bank acquired the remaining 20% share on 25 August 2017, an increase of $4 million in income from the acquisition of eChoice and $7 million of equity accounted profits relating to AHL. The full year ended 30 June 2017 includes a $397 million gain on sale of the Bank's remaining investment in Visa Inc. and $41 million of equity accounted profits from AHL.

(3) The full year ended 30 June 2018 includes $700 million for the AUSTRAC civil penalty, and $190 million in expense from the consolidation of AHL as the Bank acquired the remaining 20% share on 25 August 2017, $7 million in expense from the acquisition of eChoice, and $155 million of one-off regulatory costs. The full year ended 30 June 2017 includes $393 million one-off expense for acceleration of amortisation on certain software assets. For more details on the AUSTRAC proceedings and AUSTRAC civil penalty, see "Description of Business Environment – Legal Proceedings".

(4) For the purposes of presentation of Net profit after tax ("cash basis"), policyholder tax benefit/(expense) components of corporate tax expense are shown on a net basis (30 June 2018: $59 million expense, 30 June 2017: $32 million expense, and 30 June 2016: $101 million expense).

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

(6) Please refer to "Disclosures — Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. Non-cash items are excluded from Net profit after tax ("cash basis"), which is management's preferred measure of the Bank's financial performance, as they tend to be non-recurring in nature or not considered representative of the Bank's ongoing financial performance. The items for the period are unrealised gains and losses related to hedging and IFRS volatility ($101 million gain), Bankwest non-cash items ($3 million expense) and treasury shares valuation adjustment ($2 million income). A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

Highlights

Key Performance Indicators

Key Performance Indicators	Full Year Ended 30 Jun 18	Restated [1] 30 Jun 17	As reported 30 Jun 17	As reported 30 Jun 16
Group Performance from continuing operations				
Statutory net profit after tax ($M)	**9,375**	9,766	n/a	n/a
Net interest margin (%)	**2. 15**	2. 10	n/a	n/a
Net interest margin excluding Treasury and Markets (%)	**2. 13**	2. 08	n/a	n/a
Statutory operating expenses to total operating income (%) [2] [3]	**44. 5**	41. 9	n/a	n/a
Spot number of full-time equivalent staff (FTE)	**43,771**	43,620	n/a	n/a
Jaws ("statutory basis") (%) [4]	**(6. 6)**	n/a	n/a	n/a
Effective corporate tax rate ("statutory basis") (%)	**30. 0**	28. 4	n/a	n/a
Average interest earning assets ($M) [5]	**854,264**	834,741	n/a	n/a
Average interest bearing liabilities ($M) [5]	**759,583**	755,612	n/a	n/a
Funds Under Administration (FUA) - average ($M)	**153,810**	141,146	n/a	n/a
Assets Under Management (AUM) - average ($M)	**220,764**	210,295	n/a	n/a
Average inforce premiums ($M)	**1,050**	1,016	n/a	n/a
Group Performance including discontinued operations				
Statutory net profit after tax ($M)	**9,329**	9,928	9,928	9,223
Net interest margin (%)	**2. 15**	2. 11	2. 11	2. 14
Net interest margin excluding Treasury and Markets (%)	**2. 13**	2. 09	2. 09	2. 13
Statutory operating expenses to total operating income (%) [2] [3]	**45. 8**	42. 4	42. 4	42. 6
Spot number of full-time equivalent staff (FTE)	**45,753**	45,614	45,614	45,129
Jaws ("statutory basis") (%) [4]	**(6. 9)**	n/a	n/a	n/a
Effective corporate tax rate ("statutory basis") (%)	**30. 2**	28. 4	n/a	n/a
Average interest earning assets ($M) [5]	**854,343**	834,741	834,741	790,596
Average interest bearing liabilities ($M) [5]	**760,450**	755,612	755,612	733,754
Funds Under Administration (FUA) - average ($M)	**164,866**	152,999	152,999	144,913
Assets Under Management (AUM) - average ($M)	**221,305**	210,929	210,929	202,000
Average inforce premiums ($M)	**3,232**	3,434	3,434	3,401

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures — Financial Information Definitions — Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

(2) The full year ended 30 June 2017 includes a $397 million gain on sale of the Bank's remaining investment in Visa Inc., a $393 million one-off expense for acceleration of amortisation on certain software assets, and $41 million of equity accounted profits from AHL. Excluding these items, Operating expenses to total operating income is 41.2% from continuing operations and 41.9% including discontinued operations for the full year ended 30 June 2017.

(3) The full year ended 30 June 2018 includes $700 million for the AUSTRAC civil penalty, an increase of $226 million in income and $190 million in expense from the consolidation of AHL as the Bank acquired the remaining 20% share on 25 August 2017, an increase of $4 million in income and $7 million in expense from the acquisition of eChoice, $7 million of equity accounted profits relating to AHL, and $155 million of one-off regulatory costs. Excluding these items, Operating expenses to total operating income is 41.1% from continuing operations and 41.8% including discontinued operations for the full year ended 30 June 2018. For more details on the AUSTRAC proceedings and AUSTRAC civil penalty, see "Description of Business Environment – Legal Proceedings".

(4) The Bank uses Jaws as a key measure of financial performance. It is calculated as the difference between Total operating income growth and Operating expenses growth compared to the prior comparative period.

(5) Average interest earning assets are net of average mortgage offset balances. Average interest earning liabilities exclude average mortgage offset balances.

Key Performance Indicators (continued)

Key Performance Indicators	Full Year Ended 30 Jun 18	Restated (1) 30 Jun 17	As reported 30 Jun 17	As reported 30 Jun 16
Shareholder Returns from continuing operations				
Earnings Per Share (EPS) (cents) (2)				
Statutory basis - basic	**536. 9**	567. 9	n/a	n/a
Cash basis - basic	**528. 6**	563. 4	n/a	n/a
Return on equity (ROE) (%) (2)				
Statutory basis	**14. 4**	15. 9	n/a	n/a
Cash basis	**14. 1**	15. 7	n/a	n/a
Shareholder Returns including discontinued operations				
Earnings Per Share (EPS) (cents) (2)				
Statutory basis - basic	**534. 3**	577. 3	577. 6	542. 3
Cash basis - basic	**538. 8**	574. 1	574. 4	554. 8
Return on equity (ROE) (%) (2)				
Statutory basis	**14. 3**	16. 2	16. 1	16. 2
Cash basis	**14. 4**	16. 0	16. 0	16. 5
Dividends per share - fully franked (cents)	**431**	429	429	420
Dividend cover - "statutory basis" (times)	**1. 2**	1. 3	1. 3	1. 3
Dividend cover - "cash basis" (times)	**1. 2**	1. 3	1. 3	1. 3
Dividend payout ratio (%) (2)				
Statutory basis	**81. 2**	74. 6	74. 6	78. 4
Cash basis	**80. 4**	75. 0	75. 0	76. 5
Capital including discontinued operations				
Common Equity Tier 1 (Internationally Comparable) (%) (3)	**15. 5**	15. 6	n/a	n/a
Common Equity Tier 1 (APRA) (%)	**10. 1**	10. 1	10. 1	10. 6
Risk weighted assets (RWA) ($M)	**458,612**	437,063	437,063	394,667
Leverage Ratio including discontinued operations				
Leverage Ratio (Internationally Comparable) (%)	**6. 3**	5. 8	n/a	n/a
Leverage Ratio (APRA) (%)	**5. 5**	5. 1	5. 1	5. 0
Liquidity Metrics including discontinued operations				
Liquidity Coverage Ratio (%)	**131**	129	129	120
Net Stable Funding Ratio (%)	**112**	107	n/a	n/a
Credit Quality Metrics including discontinued operations				
Loan impairment expense annualised as a % of average GLAAs	**0. 15**	0. 15	0. 15	0. 19
Gross impaired assets as a % of GLAAs	**0. 42**	0. 43	0. 43	0. 44
Credit risk weighted assets (RWA) ($M)	**369,528**	377,259	377,259	344,030

(1) Comparative information has been restated to conform to presentation in the current period. Refer to “Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information” and Appendix C of this Document for further details.
(2) For definitions refer to Appendix B.
(3) Analysis aligns with the 13 July 2015 APRA study titled “International capital comparison study”.

Key Performance Indicators (continued)

Key Performance Indicators	Full Year Ended 30 Jun 18	Restated (1) 30 Jun 17	As reported 30 Jun 17	As reported 30 Jun 16
Retail Banking Services				
Statutory net profit after tax ($M)	**5,251**	4,933	4,964	4,540
Net interest margin (%)	**2. 98**	2. 90	n/a	n/a
Average interest earning assets ($M) (2)	**328,851**	317,052	317,778	300,815
Statutory operating expenses to total banking income (%) (3)	**30. 5**	31. 0	30. 8	32. 1
Risk weighted assets ($M)	**146,511**	134,937	n/a	n/a
Business and Private Banking				
Statutory net profit after tax ($M)	**1,888**	1,808	1,639	1,522
Net interest margin (%)	**3. 05**	2. 98	n/a	n/a
Average interest earning assets ($M) (2)	**111,136**	109,091	100,008	94,187
Statutory operating expenses to total banking income (%)	**36. 1**	37. 3	39. 1	38. 8
Risk weighted assets ($M)	**96,329**	87,654	n/a	n/a
Institutional Banking and Markets				
Statutory net profit after tax ($M)	**1,121**	1,311	1,306	1,190
Net interest margin (%)	**1. 04**	1. 10	n/a	n/a
Average interest earning assets ($M) (2)	**139,050**	138,613	138,788	136,845
Statutory operating expenses to total banking income (%)	**42.7**	37. 7	37. 6	37. 4
Risk weighted assets ($M)	**96,190**	102,242	n/a	n/a
Wealth Management (4)				
Statutory net profit after tax ($M)	**725**	529	530	616
Statutory operating expenses to total operating income (%)	**66. 6**	72. 3	67. 9	65. 9
AUM - average ($M)	**215,768**	205,910	205,910	197,569
FUA - average ($M)	**141,726**	129,152	141,005	134,233
CommInsure Inforce Premiums - average ($M)	**799**	762	2,465	2,474
New Zealand (4)				
Statutory net profit after tax ($M)	**1,158**	992	1,000	742
Risk weighted assets - APRA basis ($M) (5)	**49,884**	48,807	n/a	n/a
Net interest margin (ASB) (%) (6)	**2. 24**	2. 17	n/a	n/a
Average interest earning assets (ASB) (NZ$M) (6)	**89,774**	84,091	84,091	75,554
Statutory operating expenses to total operating income (ASB) (%) (6)	**34. 5**	35. 5	35. 4	38. 8
FUA - average (ASB) (NZ$M) (6)	**13,110**	12,665	11,994	10,680
AUM - average (ASB) (NZ$M) (6)	**4,965**	4,631	5,019	4,431
Bankwest				
Statutory net profit after tax ($M)	**678**	573	699	751
Net interest margin (%)	**2. 10**	2. 07	n/a	n/a
Average interest earning assets ($M) (2)	**74,162**	71,192	79,384	76,860
Statutory operating expenses to total banking income (%)	**42.3**	45. 2	42. 3	43. 3
Risk weighted assets ($M)	**42,897**	37,803	n/a	n/a

(1) Comparative information has been restated to conform to presentation in the current period. Refer to “Disclosures — Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information” and Appendix C of this Document for further details.
(2) Net of average mortgage offset balances.
(3) Excludes the impact of consolidation of AHL (trading as “Aussie Home Loans”) and eChoice.
(4) Presented on a continuing operations basis.
(5) Risk weighted assets represent ASB only and are calculated in accordance with APRA requirements.
(6) Key financial metrics represent ASB only and are calculated in New Zealand dollar terms.

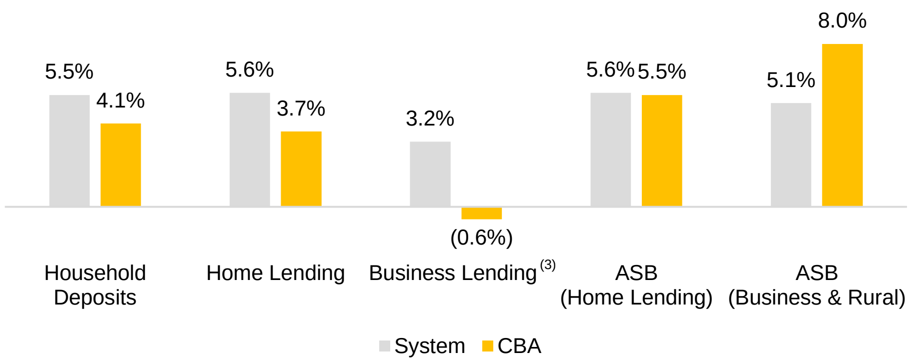
Highlights

Market Share

Market Share (1)	As at 30 Jun 18 %	31 Dec 17 %	30 Jun 17 %	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
Home loans	**24. 4**	24. 6	24. 8	(20)bpts	(40)bpts
Credit cards - RBA (2)	**27. 2**	27. 3	27. 0	(10)bpts	20 bpts
Other household lending (3)	**28. 0**	27. 3	26. 9	70 bpts	110 bpts
Household deposits	**28. 4**	28. 5	28. 8	(10)bpts	(40)bpts
Business lending - RBA	**15. 9**	16. 2	16. 5	(30)bpts	(60)bpts
Business lending - APRA	**17. 8**	18. 4	18. 6	(60)bpts	(80)bpts
Business deposits - APRA	**20. 2**	20. 4	20. 3	(20)bpts	(10)bpts
Equities trading	**4. 1**	4. 0	3. 9	10 bpts	20 bpts
Australian Retail - administrator view (4)	**15. 4**	15. 4	15. 6	-	(20)bpts
FirstChoice Platform (4)	**10. 7**	10. 7	10. 7	-	-
Australia life insurance (total risk) (4) (5)	**8. 0**	9. 9	9. 9	(190)bpts	(190)bpts
Australia life insurance (individual risk) (4) (5)	**9. 6**	9. 7	10. 0	(10)bpts	(40)bpts
NZ home loans	**21. 7**	21. 8	21. 7	(10)bpts	-
NZ customer deposits	**17. 8**	17. 8	17. 8	-	-
NZ business lending	**15. 0**	14. 5	14. 4	50 bpts	60 bpts
NZ retail FUA (6)	**13. 2**	13. 0	12. 4	20 bpts	80 bpts
NZ annual inforce premiums (5)	**27. 3**	26. 8	27. 9	50 bpts	(60)bpts

(1) Current period and comparatives have been updated to reflect market restatements. For market share source references, refer to Appendix B.
(2) Credit Cards Market Share has been sourced from APRA Monthly Banking Statistics back series, Loans to Households: Credit Cards. The RBA Credit Cards source previously used for calculating Credit Cards Market Share, is no longer published.
(3) Other household lending market share includes personal loans, margin loans and other forms of lending to individuals.
(4) As at 31 March 2018.
(5) Metrics relate to discontinued operations.
(6) Presented on a continuing operations basis.

CBA Growth against System (1) (2)
Balance Growth - 12 months to June 2018



(1) System adjusted for new market entrants.
(2) System source RBA/APRA/RBNZ. CBA includes Bankwest.
(3) Domestic Lending balance growth (excluding Cash Management Pooling Facilities ("CMPF")).

Credit Ratings	Long-term	Short-term	Outlook
Fitch Ratings (1)	AA-	F1+	Negative
Moody's Investor Services	Aa3	P-1	Stable
S&P Global Ratings (1)	AA-	A-1+	Negative

(1) A negative rating, indicates that a credit rating may be lowered.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency. Ratings should be evaluated independently of any other information.

Risk Factors

This section describes the principal risk factors that could materially affect the Group's businesses, its revenues, operating income, net income, net assets, liquidity, funding, reputation and capital resources. These risk factors should not be regarded as a complete and comprehensive statement of all of the potential risks and uncertainties that the Group faces. Additional risks that may emerge in the future, or that the Group currently considers to be immaterial, may also become important risks that affect the Group. If any of the listed or unlisted risks actually occur, the Group's business, financial condition, liquidity, operations, prospects or reputation could be materially and adversely affected. The risk factors below should be considered in connection with the "Special Note Regarding Forward-Looking Statements" on page 6 of this Document. Notes 9.1 – 9.4 of the 2018 Financial Report provide details on how the Group manages its credit, market and liquidity and funding risks.

The Group is subject to extensive regulation and operates in an environment of political scrutiny, which could adversely impact its operations and financial condition

The Group and its businesses are subject to extensive regulation in Australia and other jurisdictions in which the Group operates or obtains funding, including New Zealand, the United Kingdom, the United States, Singapore, Indonesia and China.

APRA is the Australian regulator responsible for the prudential supervision of Australian Authorised Deposit-taking Institutions ("ADIs"), which include banks (including CBA), credit unions, building societies, insurance companies and superannuation funds. As the key banking regulator in Australia, APRA has very wide powers under the Banking Act 1959 of Australia (the "Banking Act"), including in limited circumstances to direct banks (including CBA) not to make payments on its debt and equity securities. In addition to its key Australian regulators, a range of international regulators and authorities supervise and regulate the Group in respect of, among other areas, capital adequacy, liquidity levels, funding, provisioning, insurance, compliance with prudential regulation and standards, accounting standards remuneration, data access, stock exchange listing requirements, and the Group's compliance with relevant financial crime, sanction, privacy, taxation, competition, consumer protection and securities trading laws.

The Group and the wider financial services industry are facing increased regulation in many of these areas and jurisdictions, and changes or new regulation in one part of the world could lead to changes elsewhere.

Any change in law, regulation, accounting standards, policy or practice of regulators, or failure to comply with laws, regulation or policy, may adversely affect the Group's business, financial condition, liquidity, operations, prospects and reputation, and its ability to execute its strategy, either on a short-term or long-term basis. The potential impacts of regulatory change are wide and could include increasing the levels and types of capital that the Group is required to hold and restricting the way the Group can conduct its business and the nature of that business, such as the types of products that it can offer to customers.

The Group may also be adversely affected if the pace or extent of such regulatory change exceeds its ability to adapt to such changes and embed appropriate compliance processes adequately. The pace of regulatory change means that the regulatory context in which the Group operates is often uncertain and complex.

Regulatory reforms

Examples of significant regulatory reform under development in Australia include the Open Banking Review and APRA's proposals to revise the capital framework for ADIs.

In late 2017, the Australian Government announced it would legislate an economy-wide Consumer Data Right to give consumers access to and control over their data, beginning with banking (referred to as "Open Banking"). On 9 May 2018, the Australian Government broadly agreed to the recommendations of the Open Banking Review covering the regulatory framework, the type of banking data in scope, privacy and security safeguards for banking customers, the data transfer mechanism and implementation issues. The Australian Government will phase in Open Banking with all major banks making data available to accredited third parties (at the direction of the customer) on credit and debit card, deposit and transaction accounts by 1 July 2019 and mortgages by 1 February 2020. Data on all products (e.g. asset finance, consumer leases) recommended by the Open Banking Review will be available by 1 July 2020. These reforms are intended to increase competition in the financial sector and improve customer outcomes. Draft legislation was released for consultation on 15 August 2018. The Australian Competition and Consumer Commission ("ACCC") will be releasing a framework paper on the rules for Open Banking in the second half of the 2018 calendar year. Increased competition resulting from Open Banking may adversely impact the Group's business and financial condition.

The finalisation of the capital reforms may result in changes to the risk-weighting framework for certain asset classes, which are expected to increase CBA's risk-weighted assets and accordingly (all things being equal) reduce CBA's Common Equity Tier 1 ("CET1") ratio. See "Failure to maintain capital adequacy requirements would adversely affect the Group's financial condition" for more information.

Moreover key reforms emanating from the Australian Federal Government's 2017–18 budget are being implemented by the Group. For example, on February 20, 2018 the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018 came into effect, establishing a new "Banking Executive Accountability Regime" ("BEAR"), to be enforced by APRA. As a large ADI, CBA's obligations under the BEAR commenced on 1 July 2018. The BEAR aims to strengthen the responsibility and accountability frameworks for senior executives and directors of ADIs and their subsidiaries. The obligations with which CBA must comply under the BEAR are accountability, key personnel, notification and deferred remuneration obligations. The Group may be liable for substantial penalties for failing to comply with its obligations under the BEAR where the failure relates to prudential matters.

Outside Australia there have also been a series of other regulatory initiatives from authorities in the various jurisdictions in which the Group operates or obtains funding that would result in significant regulatory changes for financial institutions. Examples include proposals for changes to financial regulations in the United States (including legislation enacted in May 2018 that rolled-back certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”) and additional proposals to further dilute the law, including prohibitions that prevent banking entities from engaging in certain risk-prone proprietary trading activities or investments in hedge funds or private equity funds, known as the Volcker Rule), changes to senior executive accountability in Singapore and Hong Kong, more data protection regulations in Europe, the Markets in Financial Instruments Directive 2 in Europe and amendments to the United Kingdom’s Criminal Finances Bill (which has extraterritorial reach). United Kingdom and European authorities may also propose significant regulatory changes as a result of “Brexit”, however the scope and timing of any such changes remains uncertain. There may be an extended period of increased uncertainty and volatility in the global financial markets while the details of Brexit are negotiated. See “The Group may be adversely affected by general business and economic conditions and disruptions in the global financial markets” for more information.

In the United States, the Group elected to be treated as a Financial Holding Company (“FHC”) by the Federal Reserve Board in the United States in October 2016. For more details regarding the regulations we are subject to in the United States, see “Description of Business Environment—Financial System Regulation in the United States”.

Other regulatory and political developments

There is currently an environment of heightened scrutiny by the Australia Government and various Australian regulators on the Australian financial services industry. Examples of industry-wide scrutiny that may lead to future changes in laws, regulation or policies, include:

(i) The Royal Commission

The Royal Commission was established on 14 December 2017 and is authorized to inquire into misconduct by financial services entities (including the Group). Inquiries and announcements such as the Royal Commission could result in increased costs for the Group and adversely affect investor confidence. If regulatory action is taken, or if changes in law, regulation or policy are implemented, as a result of the Royal Commission, such changes could adversely affect the Group’s business, financial condition, operations, prospects and reputation.

(ii) The Productivity Commission’s review into competition in the Australian financial system

The Productivity Commission, an independent research and advisory body to the Australian Government, commenced a review of productivity and competitiveness of the Australian financial system in July 2017. The final report was publicly released on 3 August 2018. The report looks at the provision of financial services and the interaction of market participants, issues facing the consumers of financial services and the functions and activities of the regulators. If changes in law, regulation or policy are implemented, as a result of the Productivity Commission’s report, such changes could adversely affect the Group’s business, financial condition, operations, prospects and reputation.

Substantial legal liability or regulatory action against the Group may adversely affect the Group’s business, financial condition, operations, prospects and reputation

Due to the nature of the Group’s business, it is involved in litigation, arbitration and regulatory proceedings, principally in Australia and New Zealand. Such matters are subject to many uncertainties, and the outcome of individual matters cannot be predicted with certainty. If the Group is ordered to pay money (for example, damages, fines, penalties or legal costs), has orders made against its assets (for example, a charging order or writ of execution), is ordered to carry out actions which adversely affect its business operations or reputation (for example, corrective advertising) or is otherwise subject to adverse outcomes of litigation, arbitration and regulatory proceedings, the Group’s business, financial condition, operations, prospects and reputation may be adversely affected.

On 3 August 2017, AUSTRAC commenced civil penalty proceedings in the Federal Court of Australia against CBA (the “AUSTRAC proceedings”). The AUSTRAC statement of claim alleged past and ongoing contraventions of four provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (“AML/CTF Act”). For more details on the AUSTRAC proceedings, see ”Description of Business Environment – Legal Proceedings”.

CBA provided for an estimated penalty of A$375 million in the half year ended 31 December 2017 at which time CBA noted that the proceedings were complex and ongoing, and that the ultimate penalty determined by the Court could be higher or lower than the amount of CBA’s provision.

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

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

Additionally, as part of the agreement with AUSTRAC, CBA admitted to:

- the late filing of 53,506 Threshold Transaction Reports for cash deposits through Intelligent Deposit Machines (“IDMs”);
- inadequate adherence to risk assessment requirements for IDMs on 14 occasions;
- transaction monitoring did not operate as intended in respect of a number of accounts between October 2012 and October 2015;
- 149 Suspicious Matter Reports were filed late or were not filed as required; and
- ongoing customer due-diligence requirements were breached in respect of 80 customers.

On 20 June 2018 the Federal Court of Australia approved the agreement between CBA and AUSTRAC to resolve the civil penalty proceedings commenced by AUSTRAC on 3 August 2017. Accordingly, CBA has recognised a A$700 million expense in its financial statements for the full year ended 30 June 2018.

CBA has acted to strengthen financial crime capabilities, and has invested significantly in this area, including through its Program of Action with coverage across all aspects of financial crime (including AML/CTF, sanctions and anti-bribery and corruption) and all business units. The Program of

Action is working to strengthen the Bank's processes for monitoring, managing, reporting and controlling financial crime across all of its operations. Although CBA provides updates to AUSTRAC and the Group's other regulators on the Program of Action, there is no assurance that AUSTRAC or the Group's other regulators will agree that the Group's Program of Action will be adequate or that the Program of Action will effectively enhance the Group's compliance programs.

On 11 August 2017, following the commencement of the civil proceedings against CBA by AUSTRAC, the Australian Securities and Investments Commission ("ASIC") confirmed it would investigate CBA's disclosure in respect of the allegations raised in connection with the AUSTRAC proceedings. ASIC is investigating, among other things, whether the officers and directors at CBA complied with their continuous disclosure obligations under the Corporations Act. CBA continues to engage with ASIC in respect of the investigation and responds to requests made by ASIC. It is currently not possible to predict the ultimate outcome of this investigation, if any, on CBA.

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

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

CBA has entered into an Enforceable Undertaking under which CBA's Remedial Action Plan in response to the Final Report would be agreed and monitored regularly by APRA.

On 29 June 2018 CBA announced that APRA had endorsed CBA's Remedial Action Plan, which details CBA's response to the 35 recommendations of the Prudential Inquiry, released on 1 May 2018. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan is intended to provide a comprehensive assurance framework, with Promontory Financial Group having been appointed as the independent reviewer.

While CBA is not currently aware of any other investigation or enforcement action by other domestic or foreign regulators relating to the allegations raised by AUSTRAC (or similar matters) as of the date of this Document, there can be no assurance that CBA will not be subject to such investigations or enforcement actions in the future. The settlement in connection with the proceedings launched by AUSTRAC, or any other formal or informal proceeding or investigation by other government or regulatory agencies (domestic or foreign), may result in additional litigation, investigations or proceedings by other regulators or private parties.

This risk is evidenced by the shareholder class action proceeding related to the AUSTRAC proceeding that was commenced in the Federal Court of Australia in Melbourne on 9 October 2017 (the "Shareholder Class Action"). The Shareholder Class Action was filed by law firm Maurice Blackburn on behalf of shareholders who acquired an interest in CBA's ordinary shares between 1 July 2015 and 1:00 p.m. (Australian Eastern Standard Time) on 3 August 2017 (the "Relevant Period"), and who suffered loss or damage as alleged in the Shareholder Class Action (the "Group Members").

The Shareholder Class Action alleges that CBA, whose ordinary shares are publicly traded on the Australian Securities Exchange ("ASX"), breached its obligations under the Corporations Act and ASX Listing Rules to disclose information to the ASX concerning CBA that a reasonable person would expect to have a material effect on the price or value of CBA's ordinary shares ("Continuous Disclosure Obligation"). Specifically, the Shareholder Class Action alleges that CBA should have disclosed on and from 1 July 2015 certain matters that form the basis of the AUSTRAC proceedings. The Shareholder Class Action further alleges that during the Relevant Period, CBA made misleading or deceptive public statements regarding compliance with its obligations under applicable anti-money laundering laws and its Continuous Disclosure Obligation in violation of applicable Australian laws.

The Shareholder Class Action alleges this conduct caused CBA's ordinary shares to trade at prices higher than they would have otherwise traded during the Relevant Period and sets forth various bases for how any losses could be calculated. The Shareholder Class Action notes that the particulars of the alleged losses or damages of the Group Members are not currently known and cannot be known until after the determination of identified common issues at an initial trial.

A similar subject matter shareholder class action was filed on 29 June 2018 by law firm Phi Finney McDonald on behalf of a group of shareholders who acquired an interest in CBA's ordinary shares between 16 June 2014 and 3 August 2017.

CBA intends to vigorously defend both shareholder class actions. At this time it is not possible to reliably estimate the possible financial impact on the Group of class actions. Accordingly, no loss provision has been made by CBA in its financial statements for the year ended 30 June 2018, although CBA has provided for legal costs expected to be incurred to defend these claims.

Additionally, in some of the Group's contractual arrangements, the Group provides representations and warranties regarding its compliance with the AML/CTF Act and other applicable anti-money laundering and counter-terrorism rules and regulations. Because of the settlement with AUSTRAC, the Group may be exposed to potential claims from its contractual counterparties to the extent such counterparties believe that the Group has breached the applicable representations and warranties contained in the Group's contractual arrangements with them and have suffered loss as a result of any such breach. The Group is not aware of any such claims as of the date of this Document. Such investigations, actions, claims or proceedings, could result in penalties, fines and costs, reputational harm, remediation costs and other losses that, individually or collectively, could have a material adverse effect on the Group's business, financial condition, operations, prospects and reputation.

Additionally, the settlement in the AUSTRAC proceedings and other potential investigations, actions, claims and proceedings may harm the Group's business and results by negatively impacting the Group's reputation among the Group's customers, investors and other stakeholders. Reputational harm could result in the loss of customers or restrict the Group's ability to access the capital markets on favourable terms, which could have a material adverse effect on the Group's business, financial condition, operations, prospects and reputation.

During the 2018 financial year, A$389 million of expense provisions were recognised for financial crimes compliance, the Royal Commission, the Prudential Inquiry, the AUSTRAC civil proceedings, shareholder class actions and ASIC investigation.

Furthermore, in recent years there have been significant increases in the nature and scale of regulatory investigations and reviews, enforcement actions (whether by court action or otherwise) and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The nature of these investigations and reviews can be wide ranging and, for example, currently include a range of matters including responsible lending practices, product suitability, wealth advice, conduct in financial markets and capital market transactions. During the year, the Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain. However, should any regulatory investigations and reviews result in fines, the Group's business, financial condition, operations, prospects and reputation may be adversely affected.

Damage to the Group's reputation could harm its business, financial condition, operations and prospects

The Group's reputation is a valuable asset and a key contributor to the support that it receives from the community for its business initiatives and its ability to raise funding or capital. Damage to the Group's reputation may arise where there are differences between stakeholder expectations and the Group's actual or perceived practices. The risk of reputational damage may also be a secondary outcome of other sources of risk.

Various issues, including a number of the risks described herein, may give rise to reputational damage and cause harm to the Group's business, financial condition, operations and prospects. These issues include the conduct of the Group (for example, inadequate sales and trading practices, inappropriate management of conflicts of interest and other ethical issues), breaches of legal and regulatory requirements (such as money laundering, counter-terrorism financing, trade sanctions and privacy laws), technology and information security failures, unsuccessful strategies or strategies that are not in line with community expectations and non-compliance with internal policies and procedures. The Group's reputation may also be adversely affected by community perception of the broader financial services industry, or from the actions of its competitors, customers, suppliers, or companies in which the Group holds strategic investments.

Failure, or perceived failure, to address these issues appropriately could also give rise to additional legal or regulatory risk, subjecting the Group to regulatory enforcement actions, fines and penalties, or further damage the Group's reputation and integrity among its stakeholders, including customers, investors and the community.

The Group may be adversely affected by general business and economic conditions and disruptions in the global financial markets

By the nature of its operations in various financial markets, the Group has previously been adversely impacted, both directly and indirectly, by difficult business, economic and market conditions and could be adversely affected should markets deteriorate again in the future. The financial system (or systems) within which it operates may experience systemic shock due to market volatility, political or economic instability or catastrophic events.

A shock to or deterioration in the global economy could result in currency and interest rate fluctuations and operational disruptions that negatively impact the Group. For example, global economic conditions may deteriorate to the extent that: counterparties default on their debt obligations; countries re-denominate their currencies and/or introduce capital controls; one or more major economies collapse; and/or global financial markets cease to operate, or cease to operate efficiently. Sovereign defaults may adversely impact the Group directly, through adversely impacting the value of the Group's assets, or indirectly through destabilising global financial markets, adversely impacting the Group's liquidity, financial performance or ability to access capital.

While some economic factors have recently improved and some monetary authorities have begun to increase interest rates, departing from the generally dovish monetary policies employed in the wake of the 2008 global financial crisis, lasting impacts from the global financial crisis and the potential for escalation in geopolitical risks suggest ongoing vulnerability and potential adjustment of consumer and business behaviour. For instance, the U.S. Federal Reserve has been increasing interest rates and anticipates further increasing interest rates for the remainder of 2018, while the Reserve Bank of Australia ("RBA") lowered interest rates in August 2016 and has since left the rate unchanged to support sustainable economic growth and to achieve its inflation target. The monetary policies of central monetary authorities can significantly affect the Group's cost of funds for lending and investing, as well as the return that the Group earns on those loans and investments. These factors impact the Group's net interest margin and can affect the value of financial instruments it holds, such as debt securities and hedging instruments. The policies of the central monetary authorities can affect the Group's borrowers and other counterparties, potentially increasing the risk that the Group's borrowers and other counterparties may fail to repay loans or other financial obligations to the Group. Monetary policies also have a broader impact on Group's customers' spending and savings activity, which will in turn, affect the Group's performance. Changes in such policies can be difficult to predict.

Additionally, on June 23, 2016, the United Kingdom voted to leave the European Union in a referendum and on March 29, 2017 gave notice under Article 50 of the Treaty on European Union to commence the legal process to end the United Kingdom's membership in the European Union. There may be an extended period of increased uncertainty and volatility in the global financial markets while the details of Brexit are negotiated. The United Kingdom's decision to leave the European Union may adversely affect the Group's ability to raise medium or long term funding in the international capital markets. There is potential for further consequences of Brexit to adversely impact the financial markets.

Furthermore, since the start of his presidency in the United States in January 2017, President Donald Trump has outlined a political and economic agenda for the United States that, in certain ways, significantly differs from previous U.S. trade, tax, fiscal, regulatory and other policies. In particular, President Trump has pursued a protectionist trade policy which includes a series of expansive tariffs, up to and potentially including the entirety of goods traded between the United States and China, which may result in adverse effects on the economy of China, one of Australia's major trading partners and a significant driver of commodity demand and prices in the markets in which the Group and its customers operate. Anything that adversely affects China's economic growth could adversely affect Australian economic activity and, as a result, the Group's business, financial condition, operations and prospects.

The Group may be adversely impacted by a downturn in the Australian or New Zealand economies

As the Group's businesses are primarily located in Australia and New Zealand, its performance is dependent on the state of these economies, customer and investor confidence, and prevailing market conditions in these two countries.

The Group can give no assurances as to the likely future conditions of the Australian and New Zealand economies, which can be influenced by many factors within and outside these countries, which are outside of its control, including domestic and international economic events, political events, natural disasters and any other event that impacts the economies of Australia and/or New Zealand.

China is one of Australia's major trading partners and a significant driver of commodity demand and prices in many of the markets in which the Group and its customers operate. Anything that adversely affects China's economic growth, including the implementation of tariffs or other protectionist trade policy, could adversely affect Australian economic activity and, as a result, the Group's business, financial condition, operations and prospects.

The strength of the domestic economy is influenced by the strength of the Australian dollar. Significant movements in the Australian dollar may adversely impact parts of the domestic economy and, in turn, the Group's results of operations. See "Failure to hedge effectively against market risks (including adverse fluctuations in exchange rates) could negatively impact the Group's results of operations" for more information.

A material downturn in the Australian or New Zealand economies could adversely impact the Group's results by reducing customers' demand for the Group's products and borrowers' ability to repay their loans to the Group (i.e. credit risk). In particular, given the Group's concentration of earnings from home loans, a significant or sustained decrease in the Australian and New Zealand housing markets or property valuations could adversely affect the Group's home and commercial mortgage portfolio, result in a decrease in the amount of new lending the Group is able to write and/or increase the losses that the Group may experience from existing loans and, accordingly, adversely affect the Group's business, financial condition, operations and prospects.

The demand for property may also decline due to buyer concerns about decreases in value or concerns about rising interest rates, which could make the Group's lending products less attractive to potential homeowners and investors. Recently, the Australian Bureau of Statistics reported that Australian residential property prices declined 0.7% over the quarter ended March 31, 2018. The Australian Bureau of Statistics also recently reported that Australian residential property price growth had slowed from 11.3% over the year ended March 31, 2017 to 4.7% over the year ended March 31, 2018. In 2018, the Australian prudential regulator, APRA, announced its decision to remove its 10% cap on investor-loan growth but noted that the cap would be replaced with a series of more permanent measures to strengthen residential mortgage lending (including the interest-only lending cap which was introduced in 2017). If regulators impose further supervisory measures that impact the Group's mortgage lending practices, Australian housing price growth significantly subsides or property valuations decline, the demand for the Group's home lending products may decrease and loan defaults could increase due to declining collateral values. This would adversely affect the Group's business, operations and financial condition.

The adverse impact on the commercial mortgage portfolio would generally emanate from lower levels of new origination activity and increased losses due to deteriorating security values and a less active refinance market. A material decline in residential housing prices could also cause increased losses from the Group's exposures to residential property developers, particularly if such developers' customers that are pre-committed to purchase the completed dwellings, are unable or unwilling to complete their contracts and the Group is forced to sell these dwellings for less than the pre-committed contract price.

The Group may incur losses associated with counterparty exposures

The Group assumes counterparty risk in connection with its lending, trading, derivatives, insurance and other businesses as it relies on the ability of its counterparties to satisfy their financial obligations to the Group on a timely basis. For example, customers may default on their home, personal and business loans, and trades may fail to settle due to non-payment by a counterparty or a systems failure by clearing agents, exchanges, or other financial intermediaries. This risk also arises from the Group's exposure to lenders' mortgage insurance and re-insurance providers. There is also a risk that the Group's rights against counterparties may not be enforceable in certain circumstances.

Counterparties may default on their obligations due to insolvency, lack of liquidity, operational failure or other reasons. This risk may be increased by a deterioration in economic conditions and a sustained high level of unemployment. In assessing whether to extend credit or enter into other transactions, the Group relies on counterparties providing information that is accurate and not misleading, including financial statements and other financial information. The Group's financial performance could be negatively impacted to the extent that it relies on information that is inaccurate or materially misleading.

Unexpected credit losses could have a significant adverse effect on the Group's business, financial condition, operations and prospects.

The Group's results may be adversely affected by liquidity and funding risks

The Group is subject to liquidity and funding risks, which could adversely impact the Group's results. Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due. Funding risk is the risk of over-reliance on a funding source to the extent that a change or increased competition in that funding source could increase overall funding costs or cause difficulty in raising funds.

Further information on liquidity and funding risk is outlined in Note 9.4 to the 2018 Financial Report provides an overview of the Group's liquidity and funding risk management framework.

Adverse financial and credit market conditions may significantly affect the Group's ability to access international debt markets, on which it relies for a substantial amount of its wholesale funding

While the majority of the Group's funding comes from deposits, it remains reliant on off-shore wholesale funding markets to source a significant amount of its funding and grow its business.

Global market volatility may adversely impact the cost and the Group's ability to access wholesale funding markets, and may also result in increased competition for, and therefore the cost of, deposits in Australia.

If the Group is unable to pass its increased funding costs on to its customers, its financial performance will decline due to lower net interest margins.

If the Group is forced to seek alternative sources of funding, the availability of such alternative funding and the terms on which it may be available, will depend on a variety of factors, including prevailing financial and credit market conditions. Even if available the cost of these alternatives may be more expensive or on unfavourable terms, which may adversely impact the Group's cost of borrowing, and the Group's ongoing operations and funding. If CBA is unable to source appropriate and timely funding, it may also be forced to reduce its lending or consider selling assets.

The Group may not be able to maintain adequate levels of liquidity and funding, which would adversely affect the Group's business, financial condition, operations and prospects

The Group's liquidity and funding policies are designed to ensure that it will meet its debts and other obligations as and when they fall due. Although the Group actively monitors and manages its liquidity and funding positions, there are factors outside of its control which could adversely affect these positions, for example, if financial markets are closed for an extended period of time.

In addition to APRA's Liquidity Coverage Ratio ("LCR") requirements (effective 1 January 2015), the Group must comply with the Net Stable Funding Ratio ("NSFR") requirements, which came into effect from 1 January 2018. If the Group fails to maintain adequate levels of liquidity and funding, it would adversely affect the Group's business, financial condition, operations and prospects.

Failure to maintain credit ratings could adversely affect the Group's cost of funds, liquidity, access to debt and capital markets, and competitive position

CBA's credit ratings (which is strongly influenced by Australia's sovereign credit rating) affect the cost and availability of its funding from debt and other funding sources. Credit ratings could be used by potential customers, lenders and investors in deciding whether to transact with or invest in the Group.

A downgrade to CBA's credit ratings, or the ratings of the Commonwealth of Australia, could adversely affect the Group's cost of funds, liquidity, access to debt and capital markets, collateralization requirements and competitive position.

CBA has been rated AA- with a Negative outlook by Standard & Poor's (Australia) Pty. Ltd. ("S&P"). S&P's Long Term and Short Term ratings have remained unchanged over the last 2 years and were reaffirmed on 10 May 2018 following the release of the Inquiry report. The negative outlook is currently driven by views on possible implementation of Additional Loss Absorbing Capacity ("ALAC") regulation based on APRA commentary and economic imbalances in the economy. S&P recently increased the Banking Industry risk score for Australia based on observation of lapses in governance and risk management at some banks culminating in a review by the Royal Commission.

Moody's Investors Service Pty Ltd. ("Moody's") retains an Aa3 rating with a Stable outlook. This was reaffirmed in Moody's credit opinion dated 5 June 2018.

Fitch Australia Pty Ltd ("Fitch") maintain a AA- rating with a Negative outlook. The outlook change on 7 May 2018 reflects Fitch's view of the risks associated with remediating the shortcomings in operational risk and governance that were highlighted in the Inquiry report.

Failure to maintain capital adequacy requirements would adversely affect the Group's financial condition

The Group must satisfy substantial capital requirements, subject to qualitative and quantitative review and assessment by its regulators. Regulatory capital requirements influence how the Group uses its capital, and can restrict its ability to pay dividends or to make stock repurchases. The Group's capital ratios may be affected by a number of factors, including earnings, asset growth, changes in the value of the Australian dollar against other currencies in which the Group conducts its business, and changes in business strategy (including acquisitions, divestments, investments and changes in capital intensive businesses).

The Group operates an Internal Capital Adequacy Assessment Process ("ICAAP") to manage its capital levels and to maintain them above the minimum levels approved by the CBA's Board of Directors (which are currently set to exceed regulatory requirements). The ICAAP includes forecasting and stress testing of capital levels, which guides the Group in selecting any capital management initiatives it may undertake.

Should the ICAAP forecasts or stress tests prove to be ineffective, the Group may not be holding sufficient capital and may need to raise capital to manage balance sheet growth and/or extreme stress.

APRA has implemented a number of actions in response to the Financial System Inquiry's (the "FSI") final report of December 2014, including the report's recommendation that Australian ADIs be required to operate with "unquestionably strong" capital ratios.

In July 2017, APRA released an information paper "Strengthening banking sector resilience – establishing unquestionably strong capital ratios" in which it stated that in order to meet the objective of having "unquestionably strong" capital ratios, Australia's major banks would need to operate with an average benchmark ratio of Common Equity Tier 1 Capital to risk-weighted assets of 10.5% or more by 1 January 2020.

Separately, on 7 December 2017, the Basel Committee on Banking Supervision (the "BCBS") issued "Basel III: Finalising post-crisis reforms" confirming new measures designed to address deficiencies in the international regulatory capital framework following the global financial crisis, primarily focused on addressing excessive variability in risk-weighted assets, and therefore capital requirements, across banks.

In response, on 14 February 2018, APRA released a discussion paper titled "Discussion Paper – Revisions to the capital framework for authorised deposit-taking institutions" ("Paper") to commence its consultation on revisions to the capital framework. The Paper outlines the main components of the revisions APRA expects to make to the risk-based capital requirements for ADIs using the advanced and standardised approach to credit, market and operational risk. Amongst other things, the Paper seeks to address systemic concentration of ADI portfolios in residential mortgages and the proposals seek to target higher-risk residential mortgage lending, including investment and interest only loans. APRA has stated that it expects the overall impact of the proposals in the Paper to be a net increase in ADIs' risk-weighted assets. APRA has noted that all else being equal, this will reduce an ADI's reported capital ratios, even though there is no change to the ADI's underlying risk profile or to the quantum of capital required to achieve capital ratios that are "unquestionably strong".

In August 2018, APRA released a second discussion paper titled "Discussion paper - Improving the transparency, comparability and flexibility of the ADI capital framework". APRA proposes two key options for achieving comparability, without changing the quantum or allocation of capital. The first option is similar to the current approach, with the additional disclosure of APRA prescribed internationally comparable capital ratios, alongside the current APRA regulatory capital ratios. The second option will result in only one set of APRA regulatory capital ratios that are more internationally harmonised than the current approach. The latter will be achieved by removing certain aspects of APRA's relative conservatism from ADIs' capital ratio calculations and lifting minimum regulatory capital ratio requirements in tandem.

The outcome of these discussion papers, and the overall review of the capital framework, will determine whether APRA may recalibrate the benchmark 10.5% CET1 ratio applicable to major banks. However, APRA's expectation is that this will not necessitate additional capital raisings by ADIs nor alter the risk sensitivity of capital requirements.

APRA's intention is that the quantum of capital required to be held by ADIs under the revised capital framework can be accommodated within the amount of capital they would have needed to hold to meet the benchmark CET1 ratio by January 2020.

Revisions to APRA's prudential standards will be subject to consultation before becoming effective from 1 January 2021. This implementation timeframe is also subject to consultation.

Consistent with CBA's approach to capital management, CBA will aim to achieve "unquestionably strong" capital ratios through a range of initiatives, including organic capital generation, prudent capital management and announced asset sales.

In addition to the revisions to the capital framework, APRA has announced it intends to implement other capital related FSI recommendations, including a framework for minimum loss-absorbing and recapitalisation capacity and the introduction of a minimum Leverage Ratio requirement for ADIs. On 14 February 2018, APRA released a discussion paper titled "Discussion Paper – Leverage ratio requirements for authorised deposit-taking institutions" ("Leverage Ratio Discussion Paper") and intends to consult on the proposals in 2018. It is proposed that certain ADIs, including CBA, will be required to operate with a minimum Leverage Ratio of 4% from 1 July 2019, subject to consultation. The proposals also included changes to the way the Leverage Ratio is calculated.

Also in response to the FSI recommendations, in February 2018 the Australian Government passed legislation to give APRA additional powers for crisis resolution and resolution planning in relation to regulated entities. This includes providing certainty that capital instruments can be converted or written off as intended in APRA's prudential standards.

In November 2014, the Financial Stability Board ("FSB") issued a consultative document that defined a global standard for minimum amounts of Total Loss-Absorbing Capacity ("TLAC") to be held by global systemically important banks ("G-SIBs"), with the objective of ensuring that G-SIBs have the loss absorbing and recapitalization capacity so that critical functions continue without requiring taxpayer support or threatening financial stability. While the Group is not currently subject to TLAC as it is not a G-SIB, should APRA decide to impose TLAC or similar regulations on the Group, it could increase the level of regulatory capital that the Group is required to maintain and could adversely affect the Group's business, financial performance or financial condition.

For more information on the Group's capital adequacy and liquidity requirements, see "Group Operations and Business Settings - Liquidity and Capital Resources" starting on page 71 of this Document. The Group's failure to meet the capital requirements discussed above, or any future proposed capital requirements if enacted, would adversely affect its financial condition.

Failure to hedge effectively against market risks (including adverse fluctuations in exchange rates) could negatively impact the Group's results of operations

The Group is exposed to market risks, including the potential for losses arising from adverse changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads and implied volatility levels for assets and liabilities where options are transacted. This exposure is split between traded market risks, primarily through providing services to customers on a global basis, and non-traded market risks, predominantly interest rate risk in the banking book.

A significant proportion of Group's wholesale funding and some of its profits and investments are in currencies other than the Australian dollar, principally the U.S. dollar and the Euro. This exposes the Group to exchange rate risk on these activities, as the Group's functional and financial reporting currency is the Australian dollar. These activities are hedged where appropriate, however there are also risks associated with hedging, for example, a hedge counterparty may default on its obligations to the Group. For a description of these specific risks, see Note 9.3 to the 2018 Financial Report. There can be no assurance that the Group's exchange rate hedging arrangements or hedging policy will be sufficient or effective. The Group's results of operations may be adversely affected if its hedges are not effective to mitigate exchange rate risks, if the Group is inappropriately hedged or if a hedge provider defaults on its obligations under the Group's hedging agreements.

The Group may incur losses from operational risks associated with being a large financial institution

Operational risk is defined as the risk of economic gain or loss resulting from: (i) inadequate or failed internal processes and methodologies; (ii) people; (iii) systems and models used in making business decisions; or (iv) external events.

The Group's use of third party suppliers and third party partnerships, especially those where they supply the Group with critical services such as key technology systems or support, also expose it to operational risks, including the potential for a severe event at a third party impacting the Group.

The Group's businesses are highly dependent on their ability to process and monitor a very large number of transactions, many of which are highly complex, across multiple markets and in many currencies. The Group's financial, accounting, record-keeping, data processing or other operating systems, processes and facilities may fail to function properly or may become disabled as a result of events that are wholly or partially beyond of its control, such as a spike in transaction volumes, damage to critical utilities, environmental hazard, natural disaster, or a failure of vendor's systems.

There is also a risk that poor decisions may be made due to data quality issues, models that are not fit for purpose, or inappropriate data management. This may cause the Group to incur losses, or result in regulatory action.

Management must exercise judgment in selecting and applying the Group's accounting policies so that not only do they comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report on the financial position and results of operations of the Group. While the Group has processes to set and ensure compliance with the Group's accounting policies these processes may not always be effective. Application of and changes to accounting policies may adversely impact the Group's results.

The Group may also be adversely impacted by failures in the efficacy, adequacy or implementation of its risk-management strategies, frameworks and processes. The emergence of unexpected risks or unanticipated impacts of identified risks may result in financial or reputational losses for the Group.

The Group is subject to compliance risks, which could adversely impact the Group's results and reputation

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, or perceived failure to comply, with the requirements of relevant laws, regulatory bodies, industry standards and codes. Increasing volume, complexity and global reach of such requirements, and the increased propensity for sanctions and the level of financial penalties for breaches of requirements, could adversely impact the Group's results and reputation.

This includes for example, financial crime related obligations such as anti-money laundering and counter-terrorism financing laws, anti-bribery and corruption laws and economic and trade sanctions laws in the jurisdictions in which the Group operates. The number and wide reach of these obligations, combined with the increasing global focus on compliance with and enforcement of these obligations, presents a risk of adverse impacts on the Group, including to its reputation.

Compliance risk may also arise where the Group interprets its obligations differently from regulators or a court.

The Group may be adversely impacted by information security risks, including cyber-attacks

The Group's businesses are highly dependent on its information technology systems, including those supplied by external service providers, to securely process, store, keep private and transmit information. These information technology systems are subject to information security risks. Information security risks for the Group, as for other large financial institutions, have increased in recent years, in part because of: (i) the pervasiveness of technology to conduct financial transactions; (ii) the evolution and development of new technologies; (iii) the Group's increasing usage of digital channels; (iv) customers' increasing use of personal devices that are beyond the Group's control systems; and (v) the increased sophistication and broadened activities of cyber criminals.

Although the Group takes protective measures and endeavours to modify these protective measures as circumstances warrant, its computer systems, software and networks may be vulnerable to unauthorised access, misuse, denial-of-service attacks, phishing attacks, computer viruses or other malicious code and other events that could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of the Group, its employees, customers or of third parties or otherwise adversely impact network access or business operations.

An information security failure could have serious consequences for the Group, including operational disruption, financial losses, a loss of customer or business opportunities, litigation, regulatory penalties or intervention, reputational damage, theft of intellectual property, loss or theft of customer data, and could result in violations of applicable privacy laws, all of which could adversely impact the Group.

The Group may incur losses as a result of the inappropriate conduct of its staff

The Group could be adversely affected if an employee, contractor or external service provider does not act in accordance with regulations or its policies and procedures, engages in inappropriate or fraudulent conduct, or unintentionally fails to meet a professional obligation to specific clients. Examples of inappropriate conduct include recommending unsuitable financial products, market manipulation, insider trading, privacy or data security breaches, misleading or deceptive conduct in advertising and inadequate or defective financial advice. As a result, the Group could incur losses, financial penalties and reputational damage, and could be subject to legal or regulatory action for such inappropriate conduct. Inappropriate advice about financial products and services may result in material litigation (and associated financial and reputational costs), regulatory actions, and/or reputational consequences.

Human capital risk including the loss of key executives, employees or Board members may adversely affect the Group's business, operations and financial condition

The Group's ability to attract and retain qualified and skilled executives, employees and Board members is an important factor in achieving the Group's strategic objectives. The Chief Executive Officer, the management team of the Chief Executive Officer and the Board have skills that are critical to setting the strategic direction, successful management and growth of the Group, and whose loss due to resignation, retirement, death or illness may adversely affect the Group's business, operations and financial condition. See "Corporate Governance - Board Composition" and "Corporate Governance - Board Renewal" for more information. If the Group has difficulty retaining or attracting highly qualified people for important roles, including key executives and Board members, particularly in times of strategic change, the Group's business, operations and financial condition could be adversely affected.

The Group may be adversely impacted by insurance risk

Events that the Group has provided insurance against may occur more frequently or with greater severity than anticipated, which could adversely impact the Group. In the Group's life insurance business, this risk arises primarily through mortality (death) and morbidity (illness and injury) related claims being greater than expected. In the Group's general insurance business, this risk is mainly driven by weather related incidents (such as storms, floods or bushfires) and other calamities.

The Group's results could be adversely impacted by strategic risks

Strategic risk is the risk of material value destruction or less than planned value creation, due to an ineffective strategy. Examples of strategic risk include:

- suboptimal strategic planning with regard to the Group's strategic assets and/or inability to implement the Group's strategy (for example, resource allocation processes that do not align with the Group's strategic objectives); and
- the inability of the Group to keep pace with changes in customer preferences and/or technology.

While the Board regularly monitors and discusses the Group's operating environment, strategic objectives and implementation of major strategic initiatives, there can be no assurance that such objectives and initiatives will be successful or that they will not adversely impact the Group.

The Group could be adversely impacted by investor activism

In recent times, the Group has been increasingly challenged on its strategy by shareholders, including institutional shareholders, and special interest groups. Areas which have attracted investor activism in Australia include making socially responsible investment and avoiding financing or interacting with businesses that do not demonstrate responsible management of environmental and social issues. The prevalence of investor activism could adversely impact management's decision-making and implementation of the Group's initiatives, which in turn could adversely affect its financial results.

The Group is subject to intense competition which may adversely affect its results

The Group faces intense competition in all of its principal areas of operation. Competition is expected to increase, especially from non-Australian financial services providers who continue to expand in Australia, and from new non-bank entrants or smaller providers who may be unregulated or subject to lower or different prudential and regulatory standards than the Group and are therefore able to operate more efficiently and cost effectively. These entrants may seek to disrupt the financial services industry by offering bundled propositions and utilising new technologies.

If the Group is unable to compete effectively in its various businesses and markets, its market share may decline and increased competition may also adversely affect the Group's results by diverting business to competitors or creating pressure to lower margins to maintain market share. Further details on the competition faced by the Group are detailed in "Description of Business Environment - Competition" on page 129 of this Document.

The Group's performance and financial position may be adversely affected by acquisitions or divestments of businesses

From time to time, the Group evaluates and undertakes acquisitions of other businesses. The Group may not achieve the expected synergies from the acquisition or expected cost savings and may experience disruptions to its existing businesses due to difficulties in integrating the systems and processes of the acquired business. This may cause the Group to lose customers and market share, and incur financial losses. Multiple acquisitions at the same time may exacerbate these risks.

In relation to divestments, the Group may divest businesses or capabilities it considers non-core or wind down businesses or product areas. For example, during the 2018 financial year the Group announced the sale of 100% of its life insurance businesses in Australia and New Zealand. The sale of the New Zealand life insurance business (Sovereign) was completed on 2 July 2018. The sale of the Australian life insurance business remains subject to certain conditions and regulatory approvals. In addition, on 25 June 2018 the Group announced its intention to demerge its wealth management and mortgage broking businesses and to undertake a strategic review of its general insurance business, including a potential sale. The implementation of the demerger is subject to final CBA Board, shareholder and regulatory approvals under a scheme of arrangement. If approved, the demerger is expected to be implemented in calendar year 2019.

The Group may experience disruptions in the divestment, transition or wind down process, including to existing businesses, which may cause customers to remove their business from the Group and adversely affect the Group's performance and financial position.

The Group could suffer losses due to climate change or catastrophic events

The Group recognises that climate change poses a significant risk to the environment, economy and society. This includes physical risks, such as increases in temperatures, sea levels and the frequency and severity of adverse weather events, as well as risks introduced by the transition to a low carbon economy, such as those arising from changes in government policy or the rates of development or adoption of new low-carbon technologies.

The Group and its customers operate businesses and hold assets in a diverse range of geographical locations and industries that may be adversely affected by these effects of climate change. These changes may directly impact the Group and its customers through environmental factors, insurance risk and an increase in defaults in credit exposures.

Any significant external catastrophic event (including fire, storm, flood, drought, earthquake, pandemic or other widespread health emergency, civil unrest, war or terrorism) in a location where the Group or its customers operate businesses or hold assets has the potential to disrupt business activities, impact the Group's operations, damage property and otherwise affect the value of assets held in the affected locations and the Group's ability to recover amounts owing to it. Climate change may impact the frequency or severity of some of these catastrophic events. For example, large areas of Australia are currently experiencing continuing drought conditions which is impacting their ability to service their loans and subsequently is a credit risk for CBA. CBA has extended support measures for affected customers.

Financial Review

Selected Consolidated Income Statement Data ("statutory basis")	Full Year Ended 30 June **2018** **USD$M [1]**	**2018**	2017 [2]	2016 [2]	2015	2014
		(AUD$ millions, except where indicated)				
Interest income	**25,558**	**34,543**	33,301	33,819	34,145	33,691
Interest expense	**(11,988)**	**(16,202)**	(15,758)	(16,961)	(18,322)	(18,550)
Net interest income	**13,570**	**18,341**	17,543	16,858	15,823	15,141
Impairment expense	**(798)**	**(1,079)**	(1,095)	(1,256)	(988)	(918)
Non-interest income	**5,764**	**7,791**	7,843	6,759	7,845	7,347
Operating expenses	**(8,607)**	**(11,633)**	(10,626)	(9,996)	(10,078)	(9,573)
Net profit before tax	**9,929**	**13,420**	13,665	12,365	12,602	11,997
Corporate tax expense	**(2,978)**	**(4,026)**	(3,879)	(3,400)	(3,528)	(3,347)
Net profit after tax	**6,951**	**9,394**	9,786	8,965	9,074	8,650
Non-controlling interests	**(14)**	**(19)**	(20)	(20)	(21)	(19)
Net profit attributable to equity holders of the Bank from continuing operations	**6,937**	**9,375**	9,766	8,945	9,053	8,631
Dividend declared [3]	**5,601**	**7,570**	7,408	7,189	6,823	6,484
Weighted average number of shares (basic) (M)		**1,746**	1,720	1,692	1,627	1,618
Earnings per share, basic (cents)	**395. 3**	**534. 3**	577. 3	542. 0	553. 1	530. 6
Earnings per share, fully diluted (cents)	**383. 0**	**517. 7**	558. 8	529. 0	539. 1	518. 9
Dividends per share (cents)	**319**	**431**	429	420	420	401
Dividend payout ratio (%) [4]		**81. 2**	74. 6	78. 4	75. 8	75. 5

(1) USD translated from AUD using the 30 June 2018 month end Noon Buying Rates, as defined below.
(2) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(3) Represents final dividend declared for each respective year ended 30 June.
(4) Dividends paid on ordinary shares divided by statutory earnings (earnings are net of dividends on other equity instruments).

Exchange Rates

For each of the Bank's financial years indicated, as well as for July and August (to date) of 2018, the period end and average exchange rates are set out below, together with the high, low and month end rates (unless otherwise indicated) for recent months. All rates referred to are the Noon Buying Rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate").

To calculate the USD figures provided herein for comparison purposes as at and for the year ended 30 June 2018, the 30 June 2018 month end Noon Buying Rate has been used.

	Full Year Ended 30 June **2018**	2017	2016	2015	2014
	(expressed in USD$ per AUD$1.00)				
Period End	**0. 7399**	0. 7676	0. 7432	0. 7704	0. 9427
Average Rate	**0. 7741**	0. 7542	0. 7270	0. 8275	0. 9124

	Month Ended 2018 **August [1]**	**July**	**June**	**May**	**April**	**March**
	(expressed in USD$ per AUD$1.00)					
High	**0. 7428**	0. 7466	0. 7677	0. 7595	0. 7784	0. 7881
Low	**0. 7298**	0. 7322	0. 7355	0. 7445	0. 7543	0. 7672
Month End Noon Buying Rates	**0. 7298**	0. 7438	0. 7399	0. 7570	0. 7543	0. 7690

(1) Represents the most current August 2018 exchange rate data ended 10 August 2018.

Financial Review

	Full Year Ended 30 June					
	2018	2018	2017 [(2)]	2016 [(2)]	2015	2014
Consolidated Balance Sheet Data	**USD$M** [(1)]	(AUD$ millions, except where indicated)				
Assets						
Cash and liquid assets	**26,945**	**36,417**	45,850	23,372	33,116	26,409
Receivables due from other financial institutions	**6,823**	**9,222**	10,037	11,591	13,063	8,065
Assets at fair value through income statement:						
Trading	**23,865**	**32,254**	32,704	34,067	26,424	21,459
Insurance	**275**	**372**	13,669	13,547	14,088	15,142
Other	**191**	**258**	1,111	1,480	1,278	760
Derivative assets	**23,775**	**32,133**	31,724	46,567	46,154	29,247
Available-for-sale investments	**60,850**	**82,240**	83,535	80,898	74,684	66,137
Loans, bills discounted and other receivables	**550,016**	**743,365**	731,762	695,398	639,262	597,781
Bank acceptances of customers	**280**	**379**	463	1,431	1,944	5,027
Property, plant and equipment	**1,906**	**2,576**	3,873	3,940	2,833	2,816
Investments in associates	**2,103**	**2,842**	2,778	2,776	2,637	1,844
Intangible assets	**6,676**	**9,023**	10,024	10,384	9,970	9,792
Deferred tax assets	**1,065**	**1,439**	906	333	498	586
Other assets	**5,173**	**6,991**	7,882	7,161	7,538	6,386
Assets held for sale	**11,582**	**15,654**	-	-	-	-
Total Assets	**721,525**	**975,165**	976,318	932,945	873,489	791,451
Liabilities						
Deposits and other public borrowings	**460,391**	**622,234**	626,655	588,045	543,231	498,352
Payables due to other financial institutions	**15,463**	**20,899**	28,432	28,771	36,416	24,978
Liabilities at fair value through income statement	**7,582**	**10,247**	10,392	10,292	8,493	7,508
Derivative liabilities	**21,066**	**28,472**	30,330	39,921	35,213	27,259
Bank acceptances	**280**	**379**	463	1,431	1,944	5,027
Current tax liabilities	**704**	**952**	1,450	1,022	661	688
Deferred tax liabilities	**-**	**-**	332	340	351	366
Other provisions	**1,398**	**1,889**	1,780	1,656	1,726	1,363
Insurance policy liabilities	**334**	**451**	12,018	12,636	12,911	13,166
Debt issues	**127,480**	**172,294**	167,571	161,284	154,429	142,219
Managed fund units on issue	**-**	**-**	2,577	1,606	1,149	1,214
Bills payable and other liabilities	**8,580**	**11,596**	11,932	9,889	11,336	10,369
Liabilities held for sale	**11,025**	**14,900**	-	-	-	-
Total Liabilities	**654,303**	**884,313**	893,932	856,893	807,860	732,509
Loan capital [(3)]	**17,012**	**22,992**	18,726	15,544	12,824	9,594
Total liabilities and loan capital	**671,315**	**907,305**	912,658	872,437	820,684	742,103
Net Assets	**50,210**	**67,860**	63,660	60,508	52,805	49,348
Total Shareholders' Equity	**50,210**	**67,860**	63,660	60,508	52,805	49,348
Other equity instruments	**-**	**-**	-	-	939	939
Total Shareholders' Equity excluding other equity instruments	**50,210**	**67,860**	63,660	60,508	51,866	48,409

(1) USD translated from AUD at 30 June 2018 (see month end Noon Buying Rates under "Financial Review – Exchange Rates" on page 29 of this Document).

(2) Comparative information has been restated to conform to presentation in the current year. Refer to Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

(3) Represents interest bearing liabilities qualifying as regulatory capital.

Financial Review

Consolidated Ratios and Operating Data	2018 USD$M [2]	2018	2017 [1]	2016 [1]	2015	2014
		Full Year Ended 30 June (AUD$ millions, except where indicated)				
Profitability from continuing operations						
Net interest margin (%) [3]		**2. 15**	2. 10	2. 13	2. 15	2. 19
Interest spread (%) [4]		**1. 91**	1. 90	1. 97	2. 00	2. 00
Return on average Shareholders' Equity (%) [5]		**14. 4**	15. 9	15. 8	18. 2	18. 7
Return on average total assets (%) [5]		**1. 0**	1. 0	1. 0	1. 1	1. 1
Profitability including discontinued operations						
Net interest margin (%) [3]		**2. 15**	2. 11	2. 14	2. 15	2. 19
Interest spread (%) [4]		**1. 91**	1. 91	1. 98	2. 00	2. 00
Return on average Shareholders' Equity (%) [5]		**14. 3**	16. 2	16. 3	18. 2	18. 7
Return on average total assets (%) [5]		**1. 0**	1. 0	1. 0	1. 1	1. 1
Productivity from continuing operations						
Total operating income per full-time staff equivalent	**437,929**	**591,876**	579,023	552,805	508,578	500,034
Employee expense/Total operating income (%) [6]		**22. 9**	23. 2	24. 1	24. 9	25. 0
Total operating expenses/Total operating income (%) [6]		**44. 8**	42. 1	41. 7	42. 8	42. 9
Productivity including discontinued operations						
Total operating income per full-time staff equivalent	**429,778**	**580,859**	568,685	545,237	508,578	500,034
Employee expense/Total operating income (%) [6]		**23. 2**	23. 6	24. 4	24. 9	25. 0
Total operating expenses/Total operating income (%) [6]		**45. 4**	42. 7	42. 4	42. 8	42. 9
Capital Adequacy (at year end)						
Basel III						
Risk weighted assets	**339,327**	**458,612**	437,063	394,667	368,721	337,715
Tier One capital	**41,754**	**56,432**	52,684	48,553	41,147	37,608
Tier Two capital	**9,307**	**12,579**	9,392	7,924	5,661	2,935
Total capital [7]	**51,061**	**69,011**	62,076	56,477	46,808	40,543
Tier One capital/risk weighted assets (%)		**12. 3**	12. 1	12. 3	11. 2	11. 1
Tier Two capital/risk weighted assets (%)		**2. 7**	2. 1	2. 0	1. 5	0. 9
Total capital/risk weighted assets (%)		**15. 0**	14. 2	14. 3	12. 7	12. 0
Average Shareholders' Equity/average total assets (%)		**6. 7**	6. 5	6. 3	6. 1	6. 1

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) USD translated from AUD at 30 June 2018 (see month end Noon Buying Rates in the table under "Financial Review – Exchange Rates" on page 29 of this Document).
(3) Net interest income divided by average interest earning assets for the year.
(4) Difference between the average interest rate earned and the average interest rate paid on funds.
(5) Calculations based on Net profit after tax ("statutory basis"), net of dividends on other equity investments, divided by average Shareholders' Equity and average total assets respectively.
(6) Total operating income represents net interest income before deducting loan impairment expense plus non-interest income.
(7) Represents Tier One capital and Tier Two capital less deductions under statutory guidelines imposed by APRA. Refer to "Group Operations and Business Settings" for further details.

Financial Review

Consolidated Ratios and Operating Data	2018 USD$M (1)	2018	2017	2016	2015	2014
		Full Year Ended 30 June (AUD$ millions, except where indicated)				
Asset Quality Data (2)						
Non-accrual loans (3)	**1,855**	**2,507**	2,630	2,460	2,253	2,475
Gross impaired assets (4)	**2,352**	**3,179**	3,187	3,116	2,855	3,367
Individually assessed provisions for impairment	**644**	**870**	980	944	887	1,127
Collective provisions for impairment	**2,044**	**2,763**	2,747	2,818	2,762	2,779
Net impaired assets	**1,562**	**2,111**	2,038	1,989	1,829	2,101
Total provisions for impairment/average credit risk (%) (5)		**0. 3**	0. 3	0. 3	0. 4	0. 4
Loan impairment expense/average credit risk (%) (5)		**0. 1**	0. 1	0. 1	0. 1	0. 1
Gross impaired assets/credit risk (%) (6)		**0. 3**	0. 3	0. 3	0. 3	0. 3
Net impaired assets/total Shareholders' Equity (%)		**3. 1**	3. 2	3. 3	3. 5	4. 3
Collective provision for impairment/credit risk weighted assets (%) Basel III		**0. 7**	0. 7	0. 8	0. 9	1. 0

(1) USD translated from AUD at 30 June 2018 (see month end Noon Buying Rates under "Financial Review – Exchange Rates" on page 29 of this Document).
(2) All impaired asset balances and ratios are net of interest reserved.
(3) Non-accrual loans comprise any credit risk exposure where a specific provision for impairment has been raised, or is maintained on a cash basis because of significant deterioration in the financial position of the borrower, or where loss of principal or interest is anticipated.
(4) Gross impaired assets comprise non-accrual loans, restructured loans, Other real estate owned assets and Other assets acquired through security enforcement.
(5) Average credit risk is based on gross credit risk. Averages are based on current and previous year-end balances.
(6) Gross impaired assets as a percentage of credit risk, as disclosed in Note 9.2 to the 2018 Financial Report.

Summary Cash Flows Data

Further details of the Bank's cash flows are found in the 2018 Financial Report and Notes to the Financial Statements.

Summary Cash Flows	2018 USD$M (1)	2018	2017	2016	2015	2014
		Full Year Ended 30 June (AUD$ millions, except where indicated)				
Net Cash (used in)/provided by operating activities	**820**	**1,109**	(807)	(4,561)	7,183	3,963
Net Cash (used in)/provided by investing activities	**(741)**	**(1,002)**	(677)	(2,032)	(1,215)	201
Net Cash (used in)/provided by financing activities (2)	**(162)**	**(219)**	10,154	1,770	(5,826)	2,346
Net (decrease)/increase in cash and cash equivalents	**(83)**	**(112)**	8,670	(4,823)	142	6,510
Cash and cash equivalents at beginning of period	**17,104**	**23,117**	14,447	19,270	19,128	12,618
Cash and cash equivalents at end of period	**17,021**	**23,005**	23,117	14,447	19,270	19,128

(1) USD translated from AUD as at 30 June 2018 (see Month End Noon Buying Rates under "Financial Review – Exchange Rates" in the table on page 29 of this Document).
(2) Includes the balance 'Effect of foreign exchange rates on cash and cash equivalents' as disclosed in the 2018 Financial Report.

Contents

Section 3 – Group Performance Analysis

Financial Performance and Business Review 34

Net Interest Income 41

  Average Interest Earning Assets 41

  Net Interest Margin 41

Other Banking Income 43

Funds Management Income 44

Insurance Income 45

Operating Expenses 46

Investment Spend 49

Capitalised Software 50

Loan Impairment Expenses 51

Taxation Expense 52

Group Assets and Liabilities 53

Group Performance Analysis

Financial Performance and Business Review

Performance Overview (continuing operations basis [1])

The Bank's statutory net profit after tax for the year ended 30 June 2018 decreased $391 million or 4.0% on the prior year to $9,375 million.

Net profit after tax ("cash basis") decreased $463 million or 4.8% on the prior year to $9,233 million, impacted by a number of one-off items [2] including a $700 million non-tax deductible expense for the AUSTRAC civil penalty [3]. Return on equity ("cash basis") was 14.1% and earnings per share ("cash basis") was 528.6 cents, a decrease of 6.2% on the prior year.

Excluding one-off items [2], net profit after tax ("cash basis") increased 3.7%.

Operating income growth was 2.6% (3.4% excluding one-off items [2]), primarily driven by a 4.5% increase in net interest income, with average interest earning assets increasing 2.3% from growth in home loans and business loans, and net interest margin ("NIM") increasing 2.2%, largely from the repricing of interest-only and investor home loans in order to manage regulatory requirements.

Operating expenses increased 9.2% due to one-off AUSTRAC civil penalty and regulatory costs. Excluding one-off items [2] the increase was 3.1%, primarily driven by elevated investment spend on financial crime compliance, and higher technology costs.

Loan impairment expense ("LIE") decreased 1.5%, reflecting the benign credit environment in both the retail and business portfolios, due to relatively low interest rates and levels of unemployment.

Earnings per share ("cash basis") decreased 6.2% to 528.6 cents per share primarily due to lower profits.

Return on equity ("cash basis") decreased 160 basis points to 14.1% due to the combination of lower profits and higher levels of equity as the Bank builds towards APRA's 'unquestionably strong' capital target, which is effective 1 January 2020.

The Bank declared a final dividend of $2.31 per share bringing the total dividend for the year to $4.31 per share which was equivalent to 80.4% of the Bank's cash profit.

Balance sheet strength and resilience is a key priority for the Bank. The Bank has managed key balance sheet risks in what it believes to be a sustainable manner, and has made strategic decisions designed to ensure strength in capital, funding and liquidity. In particular, during the period the Bank has:

- Issued new long-term wholesale funding with a weighted average maturity ("WAM") of 9.0 years, bringing the portfolio WAM to 5.1 years (up from 4.1 years at 30 June 2017). This has reduced our annual funding requirement in future years (as average annual maturities are lower), reducing the associated refinancing risk from potentially unfavourable funding conditions;
- Actively replaced short-term for long-term wholesale funding, with long-term wholesale funding now accounting for 67% of total wholesale funding (up from 60% at 30 June 2017);
- Managed the level of liquid assets and customer deposit growth to strengthen our funding and liquidity positions as illustrated by increases in our LCR and NSFR;
- Taken a conservative view in the application of the Australian Accounting Standards Board ("AASB") 9 Accounting Standard; and
- Focused on capital generation, with what the Bank believes to be a clear path to achieve APRA's 'unquestionably strong' capital target.

(1) Under IFRS 5 accounting standards the planned divestment of the Bank's Australia and New Zealand life insurance businesses, BoComm Life investment and the TymeDigital business requires separate disclosure of discontinued operations. The financial results of these businesses are therefore excluded from the individual account lines of the Bank's performance and reported as a single cash net profit after tax line item. Commentary throughout this report refers to the financial results on a continuing operations basis.

(2) One-off items within Operating income:
FY17: a $397 million gain on sale of the Bank's remaining investment in Visa Inc. and $41 million of equity accounted profits from our 80% stake in AHL (trading as "Aussie Home Loans");
FY18: $226 million of income from the consolidation of AHL after increasing our stake to 100%, $7 million of equity accounted profits pre the 25 August 2017 acquisition of AHL and $4 million of eChoice revenue. This includes $5 million of net interest income and $232 million of other banking income.
One-off items within Operating expenses:
FY17: a $393 million one-off expense for acceleration of amortisation on certain software assets;
FY18: $190 million of consolidated expenses after increasing our AHL stake to 100%, $7 million of eChoice expenses, a $700 million non-tax deductible expense for the AUSTRAC civil penalty; and one-off regulatory costs of $155 million associated with the Royal Commission, the AUSTRAC proceedings and the APRA Prudential Inquiry.

(3) For more details on the AUSTRAC proceedings and AUSTRAC civil penalty, see "Description of Business Environment – Legal Proceedings".

Group Performance Analysis

Financial Performance and Business Review (continued)

Performance Overview (continued)

The Bank's financial result was impacted by a number of one-off items as outlined in footnote 2 on page 34. In order to present a transparent view of business performance, operating income and operating expenses are shown both before and after these one-off items. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

The impact of these adjustments is outlined below:

	Full Year Ended (1)			Half Year Ended (1)		
	30 Jun 18	30 Jun 17	Jun 18 vs Jun 17	30 Jun 18	31 Dec 17	Jun 18 vs Dec 17
	$M	$M	%	$M	$M	%
Operating income excluding one-off items	***25,670***	*24,819*	*3*	***12,647***	*13,023*	*(3)*
One-off items:						
Sale of Visa shares	**-**	397	large	**-**	-	n/a
AHL and eChoice	**237**	41	large	**143**	94	52
Total operating income	**25,907**	25,257	3	**12,790**	13,117	(2)
Investment experience	**17**	23	(26)	**4**	13	(69)
Total income	**25,924**	25,280	3	**12,794**	13,130	(3)
Operating expense excluding one-off items	***(10,547)***	*(10,229)*	*3*	***(5,367)***	*(5,180)*	*4*
One-off items:						
Accelerated amortisation on certain software assets	**-**	(393)	large	**-**	-	n/a
AHL and eChoice	**(197)**	-	n/a	**(126)**	(71)	77
AUSTRAC civil penalty	**(700)**	-	n/a	**(325)**	(375)	(13)
One-off regulatory costs	**(155)**	-	n/a	**(45)**	(110)	(59)
Total operating expenses	**(11,599)**	(10,622)	9	**(5,863)**	(5,736)	2
Loan impairment expense	**(1,079)**	(1,095)	(1)	**(483)**	(596)	(19)
Net profit before tax	**13,246**	13,563	(2)	**6,448**	6,798	(5)
Corporate tax expense	**(3,994)**	(3,847)	4	**(1,964)**	(2,030)	(3)
Non-controlling interests - continuing operations (2)	**(19)**	(20)	(5)	**(10)**	(9)	11
Net profit after tax from continuing operations ("cash basis")	**9,233**	9,696	(5)	**4,474**	4,759	(6)
Non-cash items - continuing operations (3)	**142**	70	large	**(18)**	160	large
Net profit after tax from continuing operations ("statutory basis")	**9,375**	9,766	(4)	**4,456**	4,919	(9)
Net profit after tax from discontinued operations ("cash basis")	**179**	189	(5)	**67**	112	(40)
Non-cash items - discontinued operations (3)	**(225)**	(23)	large	**(100)**	(125)	(20)
Non-controlling interests - discontinued operations	**-**	(4)	large	**-**	-	n/a
Net profit after tax ("statutory basis")	**9,329**	9,928	(6)	**4,423**	4,906	(10)
Key performance indicators - continuing operations						
Return on equity (%) ("statutory basis")	**14.4**	15.9	(150)bpts	**13.5**	15.2	(170)bpts
Return on equity (%) ("cash basis")	**14.1**	15.7	(160)bpts	**13.5**	14.6	(110)bpts
Earnings per share - basic (cents) ("statutory basis")	**536.9**	567.9	(5)	**254.1**	283.0	(10)
Earnings per share - basic (cents) ("cash basis")	**528.6**	563.4	(6)	**255.0**	273.6	(7)
Key performance indicators - including discontinued operations						
Dividends per share (cents)	**431**	429	-	**231**	200	16
Common Equity Tier 1 (APRA) (%)	**10.1**	10.1	-	**10.1**	10.4	(30)bpts

(1) Information has been restated and presented on a continuing operations basis. Discontinued operations include the Bank's life insurance business in Australia and New Zealand, its 37.5% equity interest in BoComm Life Insurance Company Limited and TymeDigital. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details

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

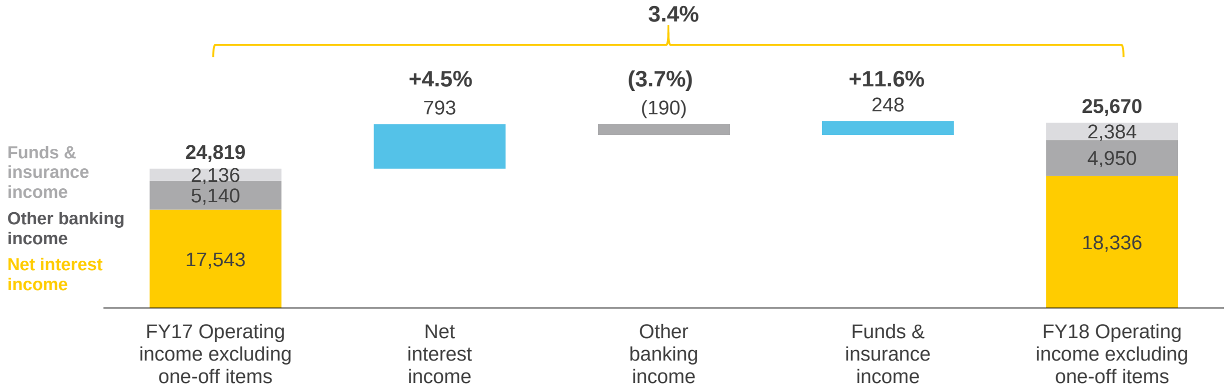
(3) Refer to page 9 for details.

Financial Performance and Business Review (continued)

Financial Performance Drivers

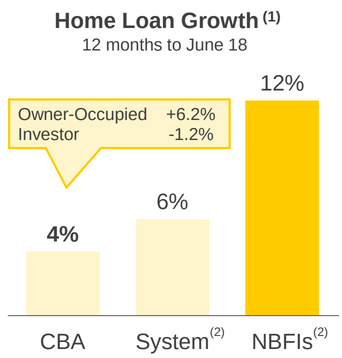
Operating Income

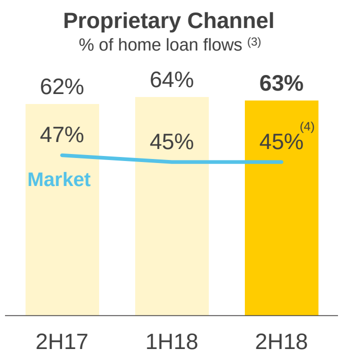
Operating income excluding one-off items was $25,670 million, an increase of $851 million or 3.4% on the prior year. This result was primarily driven by a 4.5% increase in net interest income, with higher funds and insurance income partly offset by a reduction in other banking income.

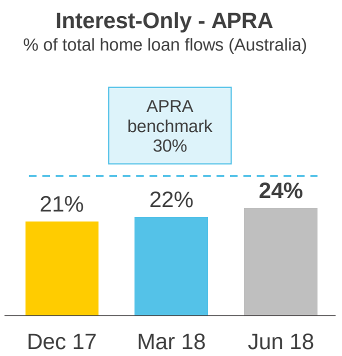


Net interest income ("cash basis") excluding one-off items was $18,336 million, an increase of $793 million or 4.5%, driven by 2.3% growth in average interest earning assets and a 2.2% increase in NIM (up 5 basis points).

Domestic home loan volume growth of 4%, was 2% below system. The difference relative to system reflects the result of the Bank's approach to managing regulatory requirements on interest-only and investor lending, and increased competition, particularly from non-bank lenders. Proprietary flows represented 63% of home loan flows in the second half of the financial year (2H18).



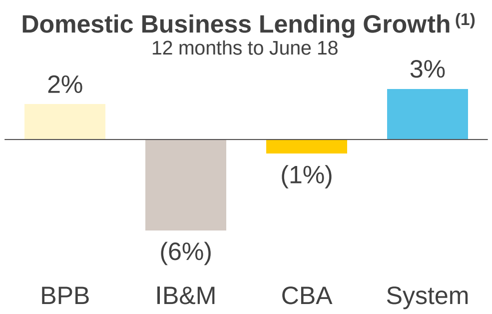




(1) System source RBA. CBA includes BWA and subsidiaries.
(2) Adjusted for new market entrants/reporting changes. NBFIs: Non-bank financial institutions.
(3) RBS retail mortgages, including those originated outside of RBS.
(4) System as at Mar-18 quarter. Source: MFAA.

Domestic business lending volumes decreased 1%, 4% below system as the Bank continued to rebalance the portfolio.

- Growth in Business and Private Banking ("BPB") lending balances of 2% was below system due to a decline in residential property development due to the completion of projects and a continued focus on risk appetite. Growth was achieved across various industries, including property investment, agribusiness, hospitality and health.
- Institutional Banking and Markets ("IB&M") domestic business lending balances decreased 6% driven by portfolio optimisation initiatives as the business focussed on reducing risk weighted assets.



(1) System source RBA. CBA also includes RBS and BWA.

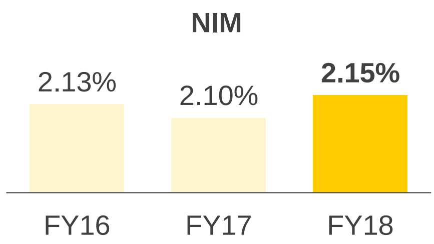
Financial Performance and Business Review (continued)

Financial Performance Drivers (continued)

Operating Income (continued)

NIM increased 5 basis points to 2.15% during the year primarily due to:

- The benefit from repricing of interest-only and investor home loans in order to manage regulatory requirements;
- The funding benefit from deposit repricing and an increased proportion of lower cost funding via transaction deposits; partly offset by
- The impact of the Major Bank Levy [1] and higher wholesale funding costs.



Other banking income excluding one-off items was $4,950 million, a decrease of $190 million or 3.7%, due to:

- A reduction in interchange revenue driven by lower average interchange rates following regulatory changes;
- The removal of ATM withdrawal fees; and
- A weaker trading performance in both global markets and treasury; partly offset by
- Higher business loan fee income reflecting volume growth and a shift to fee based products such as cash advance facilities.

Funds management income was $2,091 million, an increase of $178 million or 9.3%, driven by:

- An increase in the amount of funds invested (positive net flows) and positive market returns on invested funds (strong market performance); and
- Lower remediation costs as the Advice Review program approaches completion (for further information on the Advice Review program, see "Description of Business Environment – Advice Review Programs"); partly offset by
- A reduction in rates charged on funds invested, due to customers switching to less specialised, and lower fee, fund types.

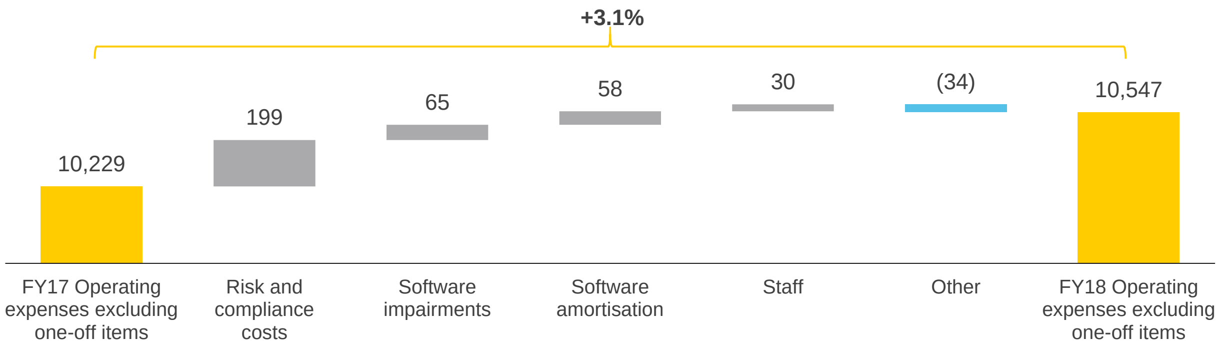
Insurance income was $293 million, an increase of $70 million or 31.4%, as a result of:

- Lower weather related claims (Cyclone Debbie resulted in a large increase in claims in the prior year); and
- Higher premium income from volume growth and the repricing of policies to better reflect the underlying risks.

Operating Expenses

Operating expenses excluding one-off items were $10,547 million, an increase of $318 million or 3.1% on the prior year. The key drivers were:

- $199 million of higher risk and compliance costs;
- $65 million increase in capitalised software impairments, primarily driven by a decision to implement a new institutional lending platform;
- $58 million increase in amortisation of software assets;
- $30 million increase in staff expenses, driven by wage inflation, partly offset by lower employee incentives. The number of full-time equivalent staff increased by 151 to 43,771, primarily due to:
  - An increase in project demand and risk and compliance staff; partly offset by
  - The divestment of non-core businesses in our IFS division; and
  - The wind-down of the Advice Review program.
- $34 million decrease from other movements including $73 million lower Advice Review program and other provisions, $41 million lower non-regulatory related professional fees and $4 million of other decreases; partly offset by $59 million lower IT vendor rebates received in the current year, and a $25 million provision in relation to the ASIC Bank Bill Swap Rate litigation [2].



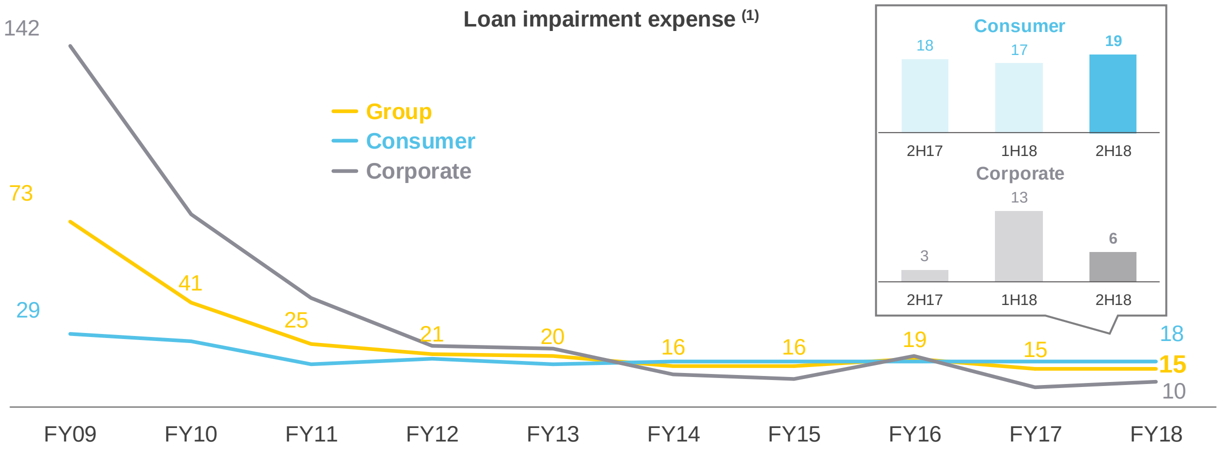
(1) For definitions refer to Appendix B.

(2) On June 21, 2018, CBA noted the approval by the Federal Court of Australia of the agreement (the "ASIC Agreement") between CBA and ASIC, Australia's corporate regulatory agency, to settle the legal proceedings (the "ASIC Legal Proceedings") in relation to the trading of bank bills in connection with the Bank Bill Swap Rate ("BBSW"). As part of the ASIC Agreement, CBA will pay a $5 million penalty to ASIC, $15 million to a financial consumer protection fund and $5 million towards ASIC's costs of the litigation and its investigation. CBA has also agreed to enter into an enforceable undertaking with ASIC, under which an independent expert will be appointed to review controls, policies, training and monitoring in relation to its BBSW business.

Financial Performance and Business Review (continued)

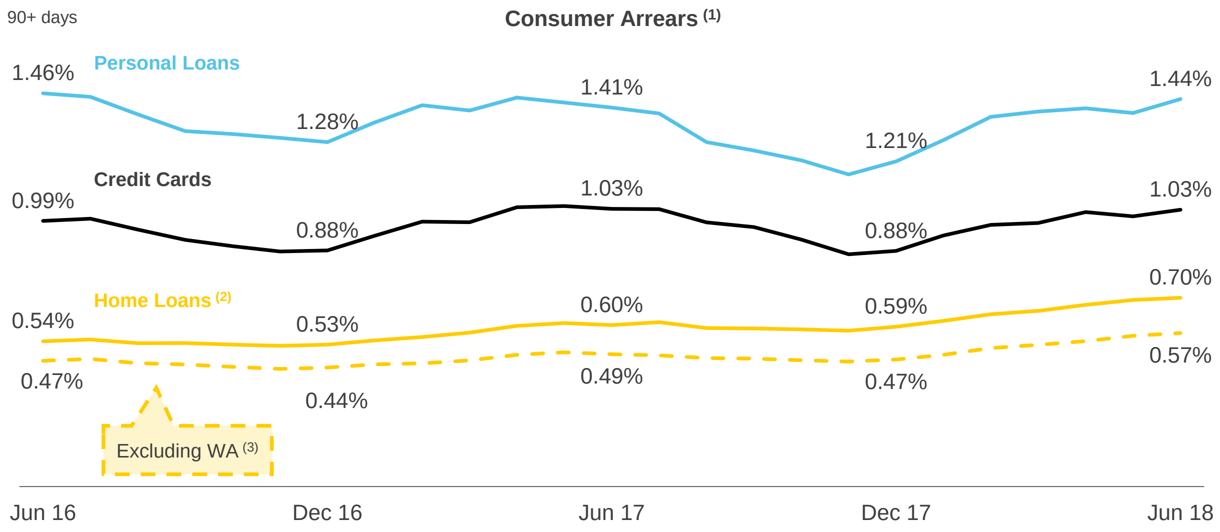
Credit Quality

LIE was $1,079 million, a decrease of $16 million or 1.5% on the prior year. LIE as a percentage of gross loans and acceptances ("GLAA") remained at 15 basis points (in line with the prior year), reflective of the continued benign credit conditions, in both the Consumer portfolio (18 basis points of GLAA) and the Corporate portfolio (10 basis points of GLAA), due to relatively low interest rates and low levels of unemployment.



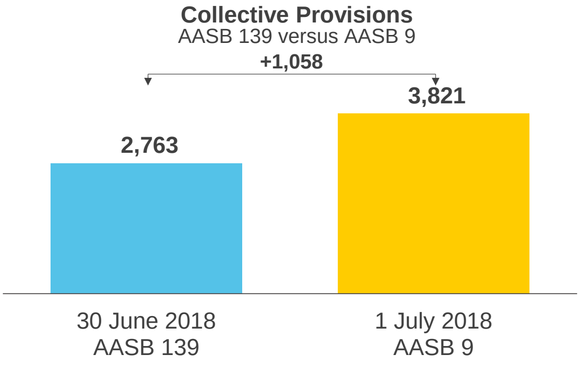
(1) Cash LIE as a percentage of average GLAA (bpts). Statutory LIE for FY10 was 48 bpts and for FY13 was 21 bpts.

Retail portfolio arrears remained relatively low. 90+ days home loan arrears were elevated on the prior year as some households experienced difficulties with rising essential costs and limited income growth, leading to some pockets of stress. After accounting for seasonal trends, arrears across unsecured retail portfolios remained relatively stable across the period.



(1) Consumer arrears includes retail portfolios of CBA (Retail Banking Services, Business and Private Banking), Bankwest and New Zealand.
(2) Excludes Reverse Mortgage, Commonwealth Portfolio Loan (CBA) and Residential Mortgage Group (CBA) loans.
(3) Excludes Line of Credit (Viridian LOC/Equity Line).

The AASB 9 Accounting Standard was adopted on 1 July 2018. The application of the standard results in an increase in impairment provisions of $1,058 million (before tax) to $3,821 million, and a decrease in the Bank's CET1 ratio of 18 basis points. The new requirements have been applied retrospectively with the transition adjustment recognised in opening retained earnings and reserves as at 1 July 2018. For more details on AASB 9 Accounting Standard see Appendix C.



Financial Performance and Business Review (continued)

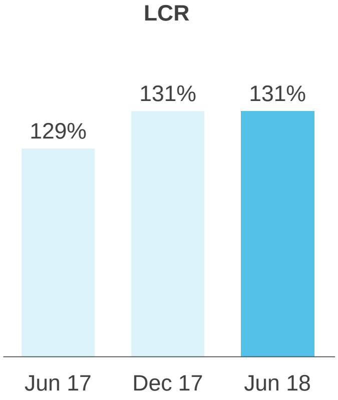
Balance Sheet Strength

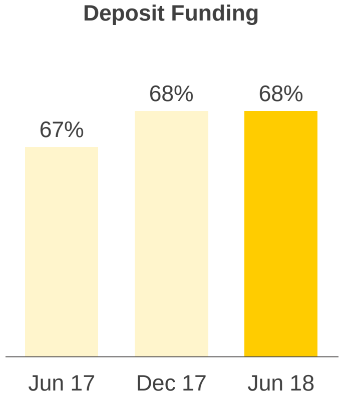
Funding and Liquidity

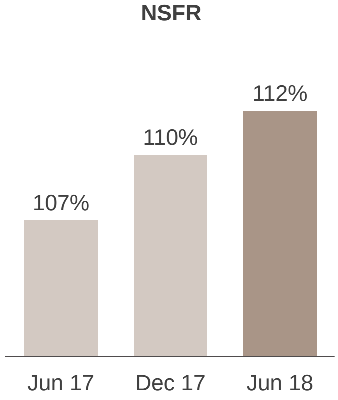
The Bank's LCR was 131%, (up from 129% at 30 June 2017), above the regulatory minimum of 100%. For more information on the LCR, see "Group Operations and Business Settings – Liquidity".

The Bank continues to satisfy a significant portion of its funding requirements from growth in customer deposits, which accounted for 68% of total funding, up from 67% at 30 June 2017.

The Bank's NSFR [1] was 112% (up from 107% at 30 June 2017), above the regulatory minimum of 100% which applied from 1 January 2018. The increase was mainly driven by a more NSFR efficient customer deposit mix. For more detail on the NSFR, see page 77.



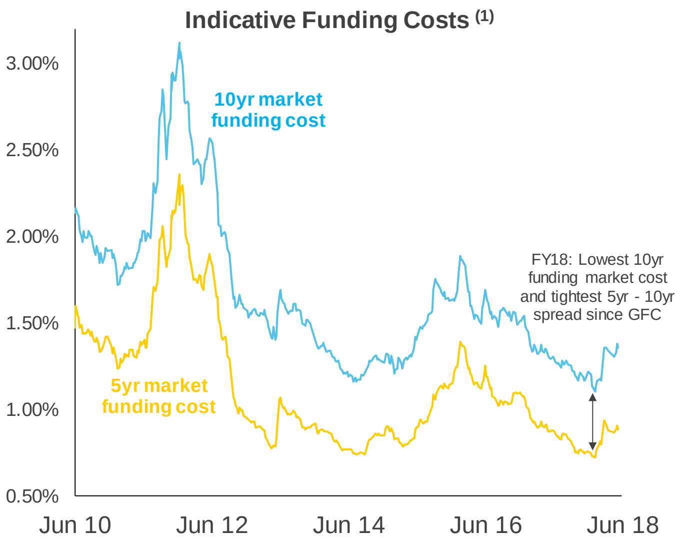


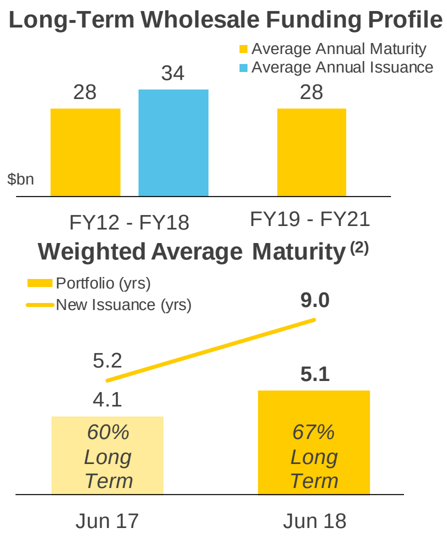


(1) The NSFR is the second quantitative measure of the Basel III reforms, in addition to the LCR. It was implemented by APRA in Australia on 1 January 2018. It requires Australian ADIs to fund their assets with sufficient stable funding to reduce funding risk over a one year horizon. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of funding.

The Bank continued to seek to strengthen its funding position in the period, taking advantage of favourable global funding conditions to lengthen the term of long-term wholesale debt. Lengthening the maturity of our wholesale debt is expected to, over time, reduce our annual funding requirement and the associated refinancing risk. The WAM of new long-term wholesale debt issued in the period was 9.0 years, bringing the portfolio WAM to 5.1 years (up from 4.1 years at 30 June 2017). Long-term wholesale funding now accounts for 67% of total wholesale funding (up from 60% at 30 June 2017).

As indicated in the chart below, relatively benign funding conditions for most of the period have provided opportunities to lengthen tenor at relatively lower wholesale funding costs.





(1) Indicative funding costs across major currencies. Represents the spread in BBSW equivalent terms on a swapped basis.
(2) Long term wholesale funding (>12 months).

Financial Performance and Business Review (continued)

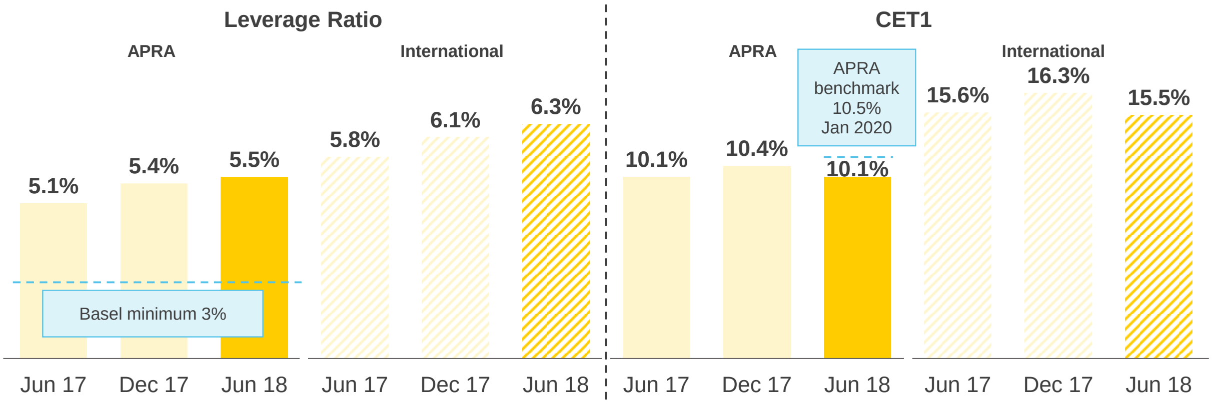
Balance Sheet Strength (continued)

Leverage and Capital

The Leverage Ratio was 5.5% on an APRA basis, up from 5.1% at 30 June 2017, benefitting from a 7% increase in capital levels driven by both organic capital generation and the Additional Tier 1 CommBank PERLS X Capital Notes issuance, and a 1% reduction in exposures. For more information on the Leverage Ratio, see "Group Operations and Business Settings – Leverage Ratio".

The Bank's CET1 ratio (APRA) was 10.1%, compared with 10.4% at 31 December 2017 and 10.1% at 30 June 2017. The capital ratios were maintained well in excess of regulatory minimum capital adequacy requirements at all times throughout the year ended 30 June 2018. The decrease of 30 basis points in the June 2018 half year was primarily driven by a number of unfavourable one-off impacts. These included higher Operational Risk Weighted Assets ("RWA") driven by APRA's requirement to increase Operational Risk Regulatory Capital by $1 billion (RWA $12.5 billion), effective 30 April 2018 (-28 basis points), and the movement of the Wealth Management Advice business into the regulatory group (-5 basis points). Further unfavourable one-off impacts included the AUSTRAC civil penalty (-7 basis points), the maturity of the final tranche of Colonial Debt that was subject to transitional relief (-7 basis points), and the capital contribution into BoComm Life (-5 basis points) (which will be fully reimbursed on completion of sale to Mitsui Sumitomo Insurance Co. Ltd).

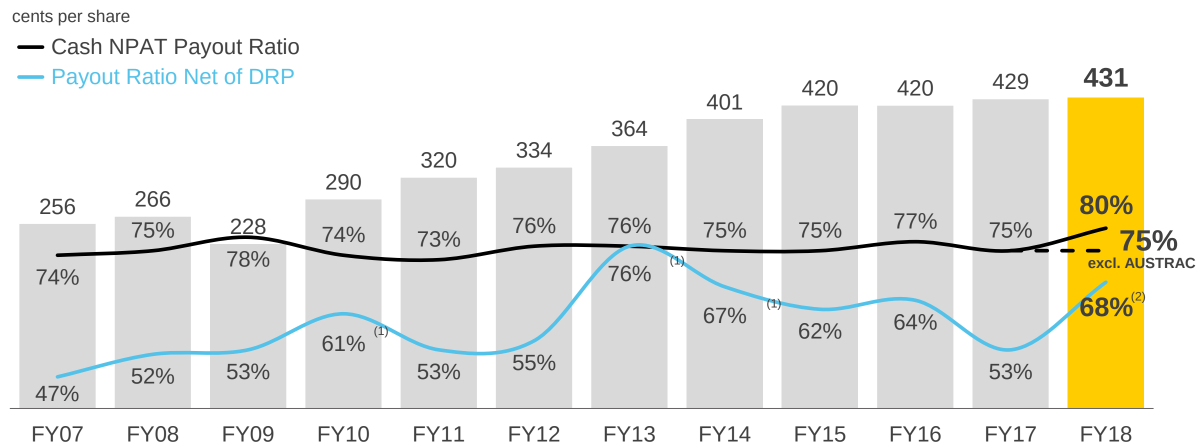
The sale of the Bank's New Zealand life insurance business was completed on 2 July 2018, resulting in an increase in the Bank's pro-forma CET1 ratio (APRA) of 27 basis points. The Bank is expected to complete the sale of its Australian life insurance business and its non-controlling investment in BoComm Life by December 2018, subject to regulatory approval, which will provide a further uplift of approximately 56 basis points. These impacts will be partly offset by the implementation of AASB 9 (-18 basis points) and AASB 15 (-3 basis points), resulting in a 30 June 2018 pro-forma CET1 ratio of approximately 10.7%.



Dividends

The final dividend declared was $2.31 per share, bringing the total dividend for the year ended 30 June 2018 to $4.31, an increase of 2 cents on the prior year. The dividend payout ratio ("cash basis") for the full year ended 30 June 2018 was 80.4% of net profit after tax ("cash basis"). Excluding the AUSTRAC civil penalty, the dividend payout ratio was 74.9% of net profit after tax ("cash basis"), within the Bank's target ratio of 70% to 80%.

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



(1) DRP Neutralised: 2H10, 1H13, 2H13, 2H14
(2) Assumes 2H18 DRP participation of 15%

Group Performance Analysis

Net Interest Income (continuing operations basis)

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %
Net interest income ("cash basis")	**18,341**	17,543	5	17,600	16,935	4
Hedging and IFRS volatility	**-**	-	-	-	-	-
Net interest income ("statutory basis") (2)	**18,341**	17,543	5	17,600	16,935	4
Average interest earning assets						
Home loans (3)	**451,607**	435,448	4	435,448	409,669	6
Personal loans	**23,265**	23,518	(1)	23,518	23,722	(1)
Business and corporate loans	**225,037**	221,188	2	221,188	211,356	5
Total average lending interest earning assets	**699,909**	680,154	3	680,154	644,747	5
Non-lending interest earning assets (4)	**154,355**	154,587	-	154,587	145,849	6
Total average interest earning assets	**854,264**	834,741	2	834,741	790,596	6
Net interest margin ("statutory basis") (%)	**2. 15**	2. 10	5 bpts	2. 11	2. 14	(3)bpts
Net interest margin excluding Treasury and Markets (%)	**2. 13**	2. 08	5 bpts	2. 09	2. 13	(4)bpts

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information and Appendix C of this Document for further details.

(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

(3) Net of average mortgage offset balances. Gross average home loans balance, excluding mortgage offset accounts was $492,431 million for the full year ended 30 June 2018 ($470,773 million for the full year ended 30 June 2017), and $497,441 million for the half year ended 30 June 2018 ($487,502 million for the half year ended 31 December 2017). While these balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the calculation of the Bank's Net interest margin.

(4) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses including CommInsure Life and Sovereign to AIA Group Limited ("AIA"). For the full year ended 30 June 2018, $79 million of Non-lending interest earning assets have been reclassified to Assets held for sale ($84 million for the half ended 31 December 2017).

Year Ended June 2018 versus Restated June 2017

Net interest income ("statutory basis") increased 5% on the prior year to $18,341 million. The result was driven by a 2% increase in average interest earning assets, and a 2% or 5 basis point increase in net interest margin to 2.15%.

Average Interest Earning Assets

Average interest earning assets increased $20 billion or 2% on the prior year to $854 billion. The key drivers of the movement were:

- Home loan average balances increased $16 billion or 4% on the prior year to $452 billion. The was driven by growth in owner occupied loans primarily through the proprietary channel;
- Business and corporate loan average balances increased $4 billion or 2% on the prior year to $225 billion, driven by $2 billion of growth in Business and Private Banking business lending balances in various industries and $1 billion driven by a $2 billion increase in Cash Management Pooling Facilities, partly offset by a $1 billion decrease in underlying institutional lending balances due to portfolio optimisation initiatives; and
- Non-lending interest earning asset average balances remained broadly flat on the prior year at $154 billion, with a $3 billion increase in higher yielding Available for Sale Securities largely driven by pre-funding to take advantage of favourable market conditions, offset by a $2 billion decrease in lower yielding Cash and other liquid assets due to reduced levels of collateral placed with the Bank by derivative counterparties, and a $1 billion decrease in trading assets.

For further details on the balance sheet movements refer to the 'Group Assets and Liabilities' on page 53.

Net Interest Margin

The Bank's net interest margin increased 5 basis points on the prior year to 2.15%. The key drivers of the movement were:

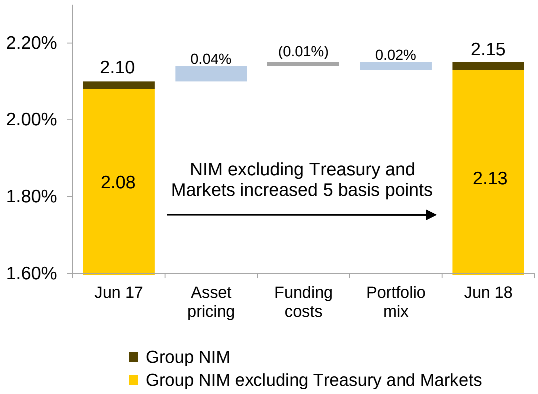
Asset pricing: Increased margin of 4 basis points driven by home lending, reflecting the benefit from repricing of interest-only and investor home loans in order to manage regulatory requirements (up 5 basis points), partly offset by lower consumer finance margins (down 1 basis points).

Funding costs: Decreased margin of 1 basis point, driven by the negative impact of the Major Bank Levy (down 4 basis points) and higher wholesale funding costs (down 1 basis point), partly offset by the benefit from deposit repricing (up 4 basis points). Funding conditions were favourable during the year, which allowed the Bank to lengthen the tenor of long-term funding and replace short-term for long-term funding at relatively lower costs.

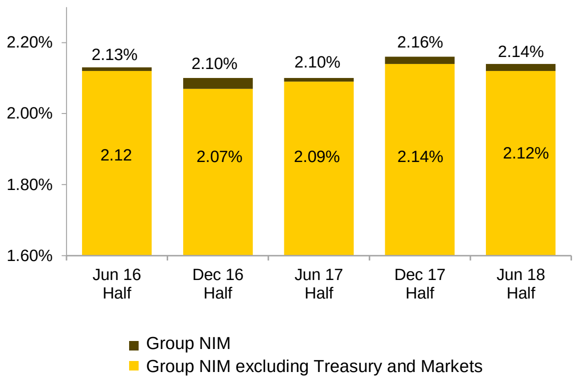
Portfolio mix: Increased margin of 2 basis points reflecting a favourable change in funding mix from strong growth in transaction deposits.

Net Interest Income (continuing operations basis) (continued)

NIM movement since June 2017 [(1)]



Group NIM (Half Year Ended) [(1)]



(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

As reported Year End June 2017 versus June 2016

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

Average Interest Earning Assets

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

- Home loan average balances increased $26 billion or 6% on the prior year to $435 billion. The growth in home loan balances was largely driven by domestic banking growth;
- Average balances for business and corporate loans increased $10 billion or 5% on the prior year to $221 billion driven by growth in business banking lending balances; and
- Average non-lending interest earning assets increased $8 billion or 6% on the prior year to $155 billion due to higher liquid assets as a result of a reduction in the Committed Liquidity Facility ("CLF"). For more information on the CLF, see "Group Operations and Business Settings – Liquidity".

Net Interest Margin

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

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

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

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

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

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

Other Banking Income (continuing operations basis)

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %
Commissions	**2,459**	2,561	(4)	2,482	2,215	12
Lending fees	**1,109**	1,078	3	1,078	1,010	7
Trading income	**1,025**	1,149	(11)	1,149	1,087	6
Other income	**357**	352	1	811	548	48
Other banking income excl. one-off items ("cash basis")	**4,950**	5,140	(4)	5,520	4,860	14
One-off items (2)						
Sale of Visa shares	**-**	397	large	-	-	-
AHL and eChoice acquisitions	**232**	41	large	-	-	-
Other banking income ("cash basis")	**5,182**	5,578	(7)	5,520	4,860	14
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**65**	-	n/a	-	-	n/a
Hedging and IFRS volatility	**143**	106	35	106	(284)	large
Other banking income ("statutory basis") (3)	**5,390**	5,684	(5)	5,626	4,576	23

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information and Appendix C of this Document for further details.
(2) For further details on the one-off items please refer to page 34.
(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

Year Ended June 2018 versus Restated June 2017

Other banking income ("statutory basis") decreased 5% on the prior year to $5,390 million. Other banking income ("cash basis") excluding one-off items was $4,950 million, a decrease of $190 million or 4% on the prior year.

Commissions decreased by $102 million or 4% to $2,459 million, due to lower consumer finance and deposit fee income driven by the reduction in average interchange rates as a result of regulatory changes, and the removal of ATM withdrawal fees, partly offset by lower loyalty costs from changes to the rewards program, higher credit card and debit card purchases as consumers continue to shift from using cash to cards, and higher merchant fee income driven by higher margins.

Lending fees increased by $31 million or 3% to $1,109 million, mainly driven by volume growth and higher business lending fees due to a shift to fee based products such as cash advance facilities.

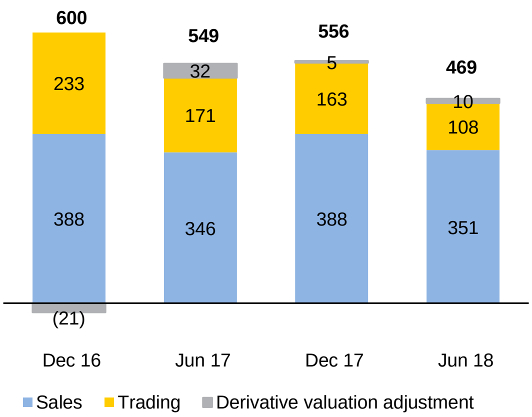
Trading income decreased by $124 million or 11% to $1,025 million, driven by weaker Markets trading performance from the impact of widening spreads on the inventory of high grade corporate and government bonds, and lower Treasury income.

Other income increased by $5 million or 1% to $357 million, primarily driven by a lower realised loss on the Group's hedge of New Zealand earnings and higher equity accounting profits in IFS mainly from volume growth in Qilu Bank and Vietnam International Bank, partly offset by lower Treasury income arising from a restructuring of economic hedges to reduce the overall funding costs and optimise capital in relation to the 30 year US debt issuances. This resulted in an upfront realised loss and an embedded gain in the swap that is amortised over the residual life of the debt issuance.

Gain on acquisition, disposal, closure and demerger of businesses increased by $65 million due to a gain recognised on the acquisition of AHL ($58 million) and a gain on sale of County Banks ($11 million), partly offset by a loss due to the dilution of the Bank's interest in Qilu Bank Limited ($4 million).

Hedging and IFRS volatility increased by $37 million or 35% to $143 million, primarily driven by higher unrealised gain on the Group's hedge of New Zealand earnings.

Net Trading Income ($M)



As reported Year Ended June 2017 versus June 2016

Other banking income ("statutory basis") increased 23% on the prior year to $5,626 million. Excluding the one-off impact of a gain on sale of the Bank's remaining investment in Visa Inc., other banking income increased 14%.

Other Banking Income (continuing operations basis) (continued)

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

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

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

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

Hedging and IFRS volatility increased on the prior year mainly due to an unrealised gain on the hedge of New Zealand earnings compared with a loss in the prior year.

Funds Management Income (continuing operations basis)

	Full Year Ended					
		Restated [1]		As reported		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %
Colonial First State (CFS) [2]	**1,003**	933	8	928	929	-
CFS Global Asset Management	**975**	887	10	837	842	(1)
CommInsure	**-**	-	n/a	121	120	1
New Zealand	**105**	92	14	92	80	15
IFS and Other	**8**	1	large	56	45	24
Funds management income ("cash basis")	**2,091**	1,913	9	2,034	2,016	1
Investment experience	**8**	15	(47)	9	39	(77)
Treasury shares valuation adjustment	**-**	-	n/a	(22)	14	large
Policyholder tax	**-**	-	n/a	30	(8)	large
Funds management income ("statutory basis") [3]	**2,099**	1,928	9	2,051	2,061	-
Funds Under Administration (FUA) - average ($M)	**153,810**	141,146	9	152,999	144,913	6
Assets Under Administration (AUM) - average ($M)	**220,764**	210,295	5	210,929	202,000	4

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information and Appendix C of this Document for further details.
(2) Colonial First State incorporates the results of all Wealth Management Financial Planning businesses.
(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

Year Ended June 2018 versus Restated June 2017

Funds management income ("statutory basis") was $2,099 million, an increase of $171 million or 9% on the prior year. The key drivers were:

- CFS increased by $70 million or 8% to $1,003 million, driven by an increase in average FUA of $13 billion or 10% to $142 billion reflecting higher investment market returns, positive net flows and a benefit from a reduction in Advice customer remediation provisions. This was partly offset by a 2 basis point decline in underlying CFS FUA margins due to a change in business mix reflecting continued growth in the lower margin CFSWrap platform. The underlying margin excludes the benefit from a $38 million reduction in Advice customer remediation provisions;
- CFSGAM increased by $88 million or 10% to $975 million, driven by an increase in average AUM of $10 billion or 5% to $216 billion reflecting higher investment markets and the benefit of the lower Australian dollar, partly offset by higher net outflows in the global equities and fixed income businesses. AUM margins increased 2 basis points reflecting the receipt of higher performance fees. Excluding the benefit of performance fees, underlying AUM margins declined 1 basis point due to a change in business mix reflecting net outflows in the higher margin global equities business; and
- New Zealand increased by $13 million or 14% to $105 million, driven by an increase in average AUM of $191 million or 4% to $5 billion reflecting strong net flows and higher investment market returns. Average FUA remained stable at $12 billion.

As reported Year Ended June 2017 versus June 2016

Funds management income ("statutory basis") remained flat on the prior year at $2,051 million, driven by:

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

Insurance Income (continuing operations basis)

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
	$M	$M	Jun 17 %	$M	$M	Jun 16 %
CommInsure (2)	**183**	121	51	438	502	(13)
New Zealand	**-**	-	n/a	278	242	15
IFS	**56**	50	12	50	46	9
Other	**54**	52	4	20	5	large
Insurance income ("cash basis")	**293**	223	31	786	795	(1)
Policyholder tax	**-**	-	-	2	109	(98)
Investment experience	**9**	8	13	56	102	(45)
Insurance income ("statutory basis") (3)	**302**	231	31	844	1,006	(16)

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information and Appendix C of this Document for further details.

(2) CommInsure represents the General Insurance business for 30 June 2018 and 30 June 2017 restated.

(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

Year Ended June 2018 versus Restated June 2017

Insurance income ("statutory basis") was $302 million, an increase of $71 million or 31% on the prior year. The key drivers were:

- CommInsure income increased by $62 million or 51% to $183 million due to lower weather event claims (Cyclone Debbie led to a large increase in claims in the prior year) and growth in premiums driven by risk based pricing initiatives; and
- IFS income increased by $6 million or 12% to $56 million, driven by higher premium income.

As reported Year Ended June 2017 versus June 2016

Insurance income ("statutory basis") was $844 million, an decrease of $162 million or 16% on the prior year, driven by:

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

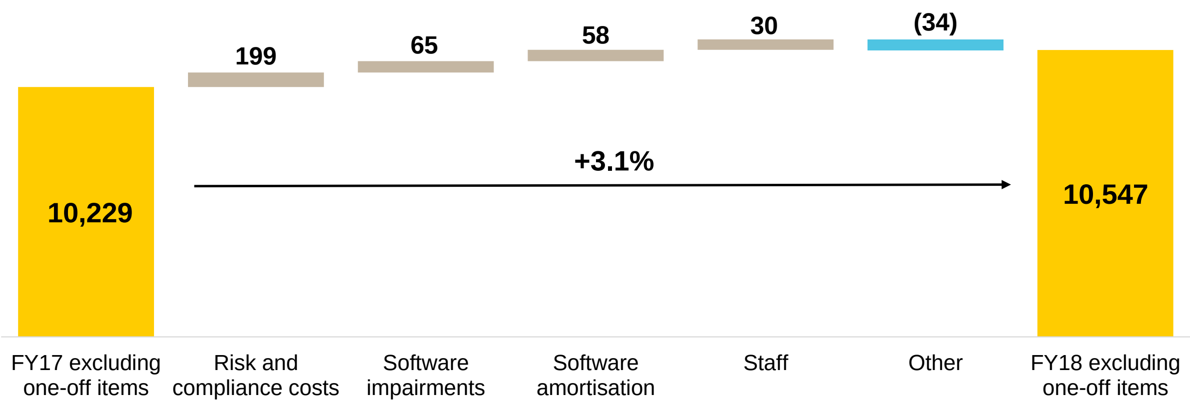
Group Performance Analysis

Operating Expenses (continuing operations basis)

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %
Staff expenses	**5,895**	5,865	1	6,268	6,169	2
Occupancy and equipment expenses	**1,165**	1,110	5	1,139	1,134	-
Information technology services expenses	**1,787**	1,578	13	1,941	1,485	31
Other expenses	**1,700**	1,676	1	1,730	1,646	5
Operating expenses excluding one-off items ("cash basis")	**10,547**	10,229	3	11,078	10,434	6
One-off items (2)						
Accelerated amortisation on certain software assets	**-**	393	large	-	-	n/a
Consolidation of AHL and eChoice	**197**	-	n/a	-	-	n/a
AUSTRAC civil penalty	**700**	-	n/a	-	-	n/a
One-off regulatory costs	**155**	-	n/a	-	-	n/a
Operating expenses including one-off items ("cash basis")	**11,599**	10,622	9	11,078	10,434	6
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**30**	-	n/a	-	-	n/a
Bankwest non-cash items	**4**	4	-	4	39	(90)
Operating expenses ("statutory basis") (3)	**11,633**	10,626	9	11,082	10,473	6
Statutory operating expenses to total operating income (%) (2)	**44. 5**	41. 9	260 bpts	42. 4	42. 6	(20)bpts
Number of full-time equivalent staff (FTE)	**43,771**	43,620	-	45,614	45,129	1

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) For further details on the one-off items refer to page 34.
(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

Operating Expenses excluding one-off items



Year Ended June 2018 versus Restated June 2017

Operating expenses ("statutory basis") increased by $1,007 million or 9% on the prior year to $11,633 million.

Staff expenses increased by $30 million or 1% to $5,895 million, driven by wage inflation, partly offset by lower employee incentives. The number of full-time equivalent staff increased by 151 from 43,620 to 43,771, primarily due to an increase in project demand and risk and compliance staff, partly offset by the divestment of non-core businesses in IFS (Mumbai branch, Ho Chi Minh City branch and China County Banks) and the wind-down of the Advice Review program.

Occupancy and equipment expenses increased by $55 million or 5% to $1,165 million, primarily due to the consolidation and development of corporate offices, annual rental reviews, and depreciation.

Operating Expenses (continuing operations basis) (continued)

Information technology services expenses increased by $209 million or 13% to $1,787 million. This was primarily due to a $65 million increase in capitalised software impairments, driven by a decision to implement a new institutional lending platform ($51 million), a $58 million increase in amortisation of software assets, higher software license costs, and lower vendor rebates received in the current year.

Other expenses increased by $24 million or 1% to $1,700 million, primarily driven by $199 million of higher risk and compliance costs, and a $25 million provision for the ASIC Legal Proceedings, partly offset by lower Advice Review program costs, lower non-regulatory related professional fees, lower volume related expenses and lower discretionary spend.

Group expense to income ratio increased 260 basis points from 41.9% to 44.5% primarily driven by the AUSTRAC civil penalty, one-off regulatory costs associated with the Royal Commission, AUSTRAC proceedings and the APRA Prudential Inquiry, and the acquisition of AHL and eChoice.

As reported Year Ended June 2017 versus June 2016

Operating expenses ("statutory basis") increased 6% on the prior year to $11,082 million.

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

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

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

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

Group expense to income ratio improved 20 basis points on the prior year to 42.4%, primarily driven by a gain on sale of the Bank's remaining investment in Visa Inc. and the one off expense for acceleration of amortisation on certain software assets. Excluding the sale and acceleration, the ratio was 41.6%, a reduction of 100 basis points.

Staff Numbers

	Full Year Ended		
Full-Time Equivalent Staff including discontinued operations	**30 Jun 18**	30 Jun 17	30 Jun 16
Australia	**36,446**	35,701	35,273
Total	**45,753**	45,614	45,129

Operating Expenses (continuing operations basis) (continued)

The following table sets out the Bank's operating expenses for financial years 2018, 2017 and 2016.

	Full Year Ended			
		Restated [1]	As reported	
	30 Jun 18	30 Jun 17	30 Jun 17	30 Jun 16
	$M	$M	$M	$M
Staff Expenses				
Salaries and related on-costs [2]	**5,441**	5,264	5,652	5,657
Share-based compensation	**77**	120	122	102
Superannuation	**421**	481	494	410
Total staff expenses	**5,939**	5,865	6,268	6,169
Occupancy and Equipment Expenses				
Operating lease rentals	**660**	646	661	650
Depreciation of property, plant and equipment	**289**	278	288	266
Other occupancy expenses	**222**	186	190	218
Total occupancy and equipment expenses	**1,171**	1,110	1,139	1,134
Information Technology Services				
Application, maintenance and development [2]	**709**	586	512	511
Data processing	**197**	200	210	197
Desktop	**154**	184	188	143
Communications	**173**	184	193	203
Amortisation of software assets [3]	**427**	762	779	379
Software write-offs	**71**	6	6	1
IT equipment depreciation	**68**	49	53	51
Total information technology services	**1,799**	1,971	1,941	1,485
Other Expenses				
Postage and stationery	**177**	183	187	192
Transaction processing and market data	**181**	185	186	179
Fees and commissions:				
Professional fees	**677**	386	404	247
Other	**135**	74	76	93
Advertising, marketing and loyalty	**482**	429	437	491
Amortisation of intangible assets (excluding software and merger related amortisation)	**13**	11	11	14
Non-lending losses [4]	**839**	124	125	103
Other	**186**	284	304	327
Total other expenses	**2,690**	1,676	1,730	1,646
Total operating expenses - "cash basis" [5]	**11,599**	10,622	11,078	10,434
Investment and Restructuring				
Integration expenses	**30**	-	-	-
Merger related amortisation [6]	**4**	4	4	39
Total investment and restructuring	**34**	4	4	39
Total operating expenses -"statutory basis"	**11,633**	10,626	11,082	10,473
Net hedging ineffectiveness comprises:				
Gain/(loss) on fair value hedges:				
Hedging instruments	**(757)**	841	841	(709)
Hedged items	**765**	(799)	(799)	642
Cash flow and net investment hedge ineffectiveness	**4**	20	20	(5)
Net hedging ineffectiveness	**12**	62	62	(72)

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

(2) During the year the Group restated staff expenses and IT expenses to more accurately reflect the underlying nature of each line item. The impact was a decrease in Salaries and related on-costs and an increase in Application maintenance and development expenses of $142 million for the full year ended 30 June 2017.

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

(4) The year ended 30 June 2018 includes $700 million for the AUSTRAC civil penalty ($325 million for the half year ended 30 June 2018 and $375 million for the half year ended 31 December 2017). For more details on the AUSTRAC proceedings and AUSTRAC civil penalty, see "Description of Business Environment – Legal Proceedings".

(5) The year ended 30 June 2018 includes a $190 million expense following the consolidation of AHL (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017 and a $7 million expense following the acquisition of eChoice ($119 million AHL expense and $7 million eChoice expense for the half year ended 30 June 2018, and $71 million AHL expense for the half year ended 31 December 2017).

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

Investment Spend (continuing operations basis)

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
	$M	$M	Jun 17 %	$M	$M	Jun 16 %
Expensed investment spend (2)	**724**	592	22	650	604	8
Capitalised investment spend	**612**	591	4	629	769	(18)
Investment spend	**1,336**	1,183	13	1,279	1,373	(7)
Comprising:						
Productivity and growth	**510**	610	(16)	681	701	(3)
Risk and compliance	**664**	445	49	470	505	(7)
Branch refurbishment and other	**162**	128	27	128	167	(23)
Investment spend	**1,336**	1,183	13	1,279	1,373	(7)

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

(2) Included within Operating Expenses disclosure on page 46.

Year Ended June 2018 versus Restated June 2017

The Bank continued to invest to deliver on the strategic priorities of the business $1,336 million incurred in the full year to 30 June 2018, an increase of $153 million or 13% on the prior year. The increase is mainly driven by a $219 million increase in spend on risk and compliance projects.

Productivity and growth initiatives accounted for 38% of investment spend, a decrease of 14% from 52% in the prior year as the Bank prioritised funding for risk and compliance initiatives. Risk and compliance costs accounted for 50% of investment spend, an increase of 12% from 38%, as the Bank increased investment to strengthen regulatory and compliance frameworks and implement systems to satisfy regulatory obligations. Key areas of investment across each of the categories are outlined below.

Productivity and Growth

The Bank has invested in the following:

- Delivering tools and capabilities which are intended to allow easier and cheaper access to the Bank's data, enabling us to meet customers' specific needs and promote growth and retention of customers;
- Upgrading and automating retail and business banking systems intended to deliver improved customer self-service and drive improved customer experience through reduced handling times; and
- Improving the Bank's credit decisioning model and simplifying the frontline staff interface intending to enhance the customer experience.

Risk and Compliance

Financial Crimes Compliance

We are committed to building on the significant changes made in recent years as part of a comprehensive program to improve operational risk management and compliance at the Bank.

The Bank has invested in the following:

- Anti-money laundering and counter-terrorism financing (AML/CTF) compliance, including upgrading and enhancing our AML/CTF technology, updating our process documentation, investing in further resourcing and strengthening training of our personnel;
- Strengthening financial crime capabilities, and significant investment in seeking to fulfil the crucial role that it plays, including through its Program of Action with coverage across all aspects of financial crime (including AML/CTF, sanctions and anti-bribery and corruption) and all business units; and
- Uplifting the Bank's processes for monitoring, managing, reporting and controlling financial crime across all of its operations, including how the Bank engages with and informs AUSTRAC and other regulators, and the operating model of the Bank which relates specifically to financial crime to seek increased confidence in managing this area of risk.

Other Risk and Compliance

The Bank has invested in the following:

- Continuing to invest to protect against cyber risks and attacks, with a particular focus on data protection and application of cyber security controls that we believe will enable the Bank to identify and remediate suspicious activity;
- Improving the resilience of the Bank's IT infrastructure, including payments and data centres;
- Implementing systems to fulfil regulatory and compliance requirements, including Future of Financial Advice, Stronger Super (MySuper and SuperStream), Life and General Insurance Capital, and Common Reporting Standard requirements;
- Upgrading ATMs which is required to process new RBA banknotes; and
- Investing in regulatory credit risk and capital processes.

Branch Refurbishment and Other

The Bank has invested in the following:

- Retail branch refurbishment as our branch design is constantly evolving to reflect changes in customer preferences; and
- Consolidation and development of corporate offices as existing leases expire.

Investment Spend (continuing operations basis) (continued)

As reported Year Ended June 2017 versus June 2016

The Group continued to invest to deliver on the strategic priorities of the business with $1,279 million incurred in the full year to 30 June 2017, a decrease of 7% on the prior year. The decrease is due to timing of investment spend, and the completion of key phases of risk and compliance projects in the prior year (including Future of Financial Advice ("FOFA")), significant progress made with branch transformation, the rollout of refreshed ATMs in the prior year, and the timing of spend on productivity and growth initiatives.

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

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

Capitalised Software

	Full Year Ended		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %
Opening Balance	**1,934**	2,228	(13)
Additions	**486**	491	(1)
Amortisation and writeoffs [(1)] [(2)]	**(553)**	(785)	(30)
Reclassification to assets held for sale	**(48)**	-	n/a
Closing balance	**1,819**	1,934	(6)

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

(2) The full year ended 30 June 2018 and half year ended 30 June 2018 includes write-offs of $55 million in discontinued operations where assets have not been reclassified as held for sale. The full year ended 30 June 2017 includes amortisation of $17 million in discontinued operations.

Year Ended June 2018 versus June 2017

The capitalised software balance decreased $115 million or 6% to $1,819 million.

Additions decreased by $5 million or 1% to $486 million, driven by lower capitalised investment in productivity and growth initiatives as the Bank focused on risk and compliance projects which have a lower capitalisation rate.

Amortisation and write-offs decreased $232 million or 30% to $553 million, driven by the non-recurrence of a $393 million one-off expense for acceleration of amortisation on certain software assets in the prior year. Excluding this expense, amortisation and write-offs increased $161 million or 41%, primarily driven by a $65 million increase in capitalised software impairments, driven by a decision to implement a new institutional lending platform ($51 million), a $55 million write down of TymeDigital software following the decision to discontinue the Bank's South African operations, and a change in software mix to digital assets which have a shorter useful life.

Reclassification to assets held for sale was $48 million due to the reclassification of capitalised software in the life insurance businesses to assets held for sale following the announced sale of CommInsure Life and Sovereign to AIA Group Limited.

Loan Impairment Expense

	Full Year Ended					
		Restated		As reported		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %
Retail Banking Services (1)	**716**	702	2	699	663	5
Business and Private Banking (1)	**129**	62	large	74	176	(58)
Institutional Banking and Markets	**80**	64	25	64	252	(75)
New Zealand	**74**	65	14	65	120	(46)
Bankwest (1)	**54**	99	(45)	89	(10)	large
IFS and Other (1)	**26**	103	(75)	104	55	89
Loan impairment expense ("statutory basis")	**1,079**	1,095	(1)	1,095	1,256	(13)

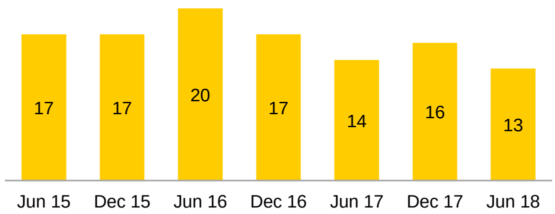
(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

Year Ended June 2018 versus Restated June 2017

Loan impairment expense ("statutory basis") decreased 1% on the prior year to $1,079 million. Loan impairment expense annualised as a percentage of Gross Loans and Acceptances ("GLAAs") was flat at 15 basis points. The decrease was driven by:

- A decrease in IFS and Other of $77 million or 75% to $26 million, driven by the release of a centrally held loan impairment provision which was raised in the prior year and is no longer required; and
- A decrease in Bankwest of $45 million or 45% to $54 million, driven by reduced home loan impairments in Western Australian mining towns and regional areas due to the non-recurrence of specific provisions in the prior year and an improvement in the quality of the Western Australian business loan portfolio; partly offset by
- An increase in Business and Private Banking of $67 million to $129 million, mainly driven by increased provisioning within segments exposed to discretionary consumer spending, partly offset by lower levels of individual provisions;
- An increase in Institutional Banking and Markets of $16 million or 25% to $80 million, driven by higher individual provisions due to a large single name exposure, partly offset by a higher level of write-backs in the mining and wholesale trade portfolios;
- An increase in Retail Banking Services of $14 million or 2% to $716 million, due to increased home loan and personal loan collective provisions to reflect actual loss experience, and a management overlay in anticipation of possible changes to bankruptcy legislation, partly offset by lower home loan impairments in mining towns in Western Australia and Queensland; and
- An increase in New Zealand of $9 million or 14% to $74 million, due to higher average arrears and write-offs in consumer finance, partly offset by lower provisions in the business portfolio due to favourable macroeconomic conditions in New Zealand.

Half Year Loan Impairment Expense (Annualised) as a % of Average GLAAs (bpts)



As reported Year Ended June 2017 versus June 2016

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

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

Taxation Expense (continuing operations basis)

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
Income Tax	**$M**	$M	Jun 17 %	$M	$M	Jun 16 %
Retail Banking Services	**2,223**	2,097	6	2,110	1,935	9
Business and Private Banking	**812**	778	4	705	654	8
Institutional Banking and Markets	**330**	413	(20)	412	369	12
Wealth Management	**184**	142	30	201	221	(9)
New Zealand	**378**	336	13	360	317	14
Bankwest	**293**	248	18	302	333	(9)
IFS and Other	**(226)**	(167)	35	(163)	(237)	(31)
Total income tax expense ("cash basis")	**3,994**	3,847	4	3,927	3,592	9
Non-cash tax expense (2)	**32**	32	-	65	14	large
Total income tax expense ("statutory basis") (2)	**4,026**	3,879	4	3,992	3,606	11

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
Effective Tax Rate	**$M**	$M	Jun 17 %	$M	$M	Jun 16 %
Retail Banking Services	**30. 0**	29. 8	20 bpts	29. 8	29. 9	(10)bpts
Business and Private Banking	**30. 1**	30. 1	-	30. 1	30. 1	-
Institutional Banking and Markets	**22. 7**	24. 0	(130)bpts	24. 0	23. 7	30 bpts
Wealth Management	**24. 6**	25. 2	(60)bpts	27. 5	27. 3	20 bpts
New Zealand	**28. 0**	27. 9	10 bpts	27. 4	25. 6	180 bpts
Bankwest	**30. 1**	30. 1	-	30. 1	29. 9	20 bpts
Total corporate - "statutory basis"	**30. 0**	28. 4	160 bpts	28. 5	27. 5	100 bpts

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

Year Ended June 2018 versus Restated June 2017

Corporate tax expense ("statutory basis") for the year ended 30 June 2018 increased 4% on the prior year, representing a 30.0% effective tax rate. The 160 basis points increase in the effective tax rate from 28.4% to 30.0% was primarily due to the $700 million expense for the AUSTRAC civil penalty being non-deductible for tax purposes. Excluding this item, the effective tax rate was 28.5%. The effective tax rate is expected to be approximately 29% in the full year ended 30 June 2019. This rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore banking unit and offshore jurisdictions that have lower corporate tax rates.

As reported Year Ended June 2017 versus June 2016

Corporate tax expense ("statutory basis") for the year ended 30 June 2017 increased 11% on the prior year, representing a 28.5% effective tax rate. This increase is primarily as a result of a change in business mix, including the run-off of specialised financing transactions.

Group Performance Analysis

Group Assets and Liabilities

Total Group Assets and Liabilities	30 Jun 18 $M	30 Jun 17 [1] $M	30 Jun 16 $M	Jun 18 vs Jun 17 %	Jun 17 vs Jun 16 %
	Full Year Ended				
Interest earning assets					
Home loans [2]	**501,665**	485,857	456,074	3	7
Consumer Finance	**23,317**	23,577	23,862	(1)	(1)
Business and corporate loans	**222,367**	226,484	220,611	(2)	3
Loans, bills discounted and other receivables [3]	**747,349**	735,918	700,547	2	5
Non-lending interest earning assets [4]	**150,306**	163,665	137,838	(8)	19
Total interest earning assets	**897,655**	899,583	838,385	-	7
Other assets [3] [4]	**61,856**	76,735	94,616	(19)	(19)
Assets held for sale [4]	**15,654**	-	-	n/a	n/a
Total assets	**975,165**	976,318	933,001	-	5
Interest bearing liabilities					
Transaction deposits [5]	**109,181**	98,884	89,780	10	10
Savings deposits [5]	**187,587**	191,245	191,313	(2)	-
Investment deposits	**216,852**	220,530	197,085	(2)	12
Other demand deposits [4]	**58,057**	70,313	71,293	(17)	(1)
Total interest bearing deposits	**571,677**	580,972	549,471	(2)	6
Debt issues	**172,673**	168,034	162,716	3	3
Other interest bearing liabilities	**54,124**	57,531	54,101	(6)	6
Total interest bearing liabilities	**798,474**	806,537	766,288	(1)	5
Non-interest bearing transaction deposits	**48,831**	44,032	37,000	11	19
Other non-interest bearing liabilities [4]	**45,100**	62,089	69,149	(27)	(10)
Liabilities held for sale [4]	**14,900**	-	-	n/a	n/a
Total liabilities	**907,305**	912,658	872,437	(1)	5

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

(2) Home loans are presented gross of $41,865 million of mortgage offset balances (31 December 2017: $41,110 million; 30 June 2017: $37,569 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.

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

(4) On 21 September 2017 CBA announced the sale of 100% of its life insurance business including CommInsure Life and Sovereign to AIA Group Limited ("AIA") and its 37.5% equity stake in BoComm Life. For 30 June 2018, $75 million of Non-lending interest earning assets and $15,151 million of Other assets have been reclassified to Assets held for sale, and $871 million of Other demand deposits and $14,029 million of Other non-interest bearing liabilities have been reclassified to Liabilities held for sale. Assets held for sale also included $428 million of assets that reside outside the Bank's Life Insurance Business as at 30 June 2018.

(5) Transaction and Savings deposits includes $41,865 million of mortgage offset balances (31 December 2017: $41,110 million; 30 June 2017: $37,569 million).

Year Ended June 2018 versus Restated June 2017

Total assets were $975 billion, a decrease of $1 billion on the prior year, reflecting lower liquid assets and institutional lending, partly offset by increased home and business lending.

Total liabilities were $907 billion, a decrease of $5 billion or 1% on the prior year, reflecting lower total deposits and other interest bearing liabilities, partly offset by increased debt issues.

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

Home loans

Home loan balances increased $16 billion to $502 billion, reflecting a 3% increase on the prior year. The increase excluding foreign exchange was 4%, driven by Retail Banking Services, Bankwest and New Zealand.

Domestic growth of 4%, below system [1] of 6%, reflecting a conservative approach in order to manage regulatory requirements on investor and interest only home lending, and increased competition, particularly from non-bank lenders.

Home loans in Australia amount to $451 billion (30 June 2017: $436 billion) of which 65% are owner occupied, 32% are investment home loans and 3% are lines of credit (30 June 2017: 63% were owner occupied, 33% were investment home loans and 4% were lines of credit).

(1) System source: RBA/APRA/RBNZ. CBA includes Bankwest.

Group Assets and Liabilities (continued)

Consumer finance

Consumer finance, which includes personal loans, credit cards and margin lending, decreased $260 million or 1% on the prior year to $23 billion, which was ahead of system [1] growth.

Business and corporate loans

Business and corporate loans decreased $4 billion to $222 billion, a 2% decrease on the prior year. The decrease was driven by a 6% decrease in institutional lending balances, as a result of portfolio optimisation initiatives. This was partly offset by growth of 2% in Business and Private Banking across various industries, including agribusiness, hospitality and health, and growth of 4% in Bankwest driven by the property and corporate segments. Growth in New Zealand (excluding the impact of foreign exchange) of 8% was above system [1], reflecting the long-term strategic focus on this segment.

Domestic business lending decreased by 1%, below system [1] growth of 3%, due to the portfolio optimisation initiatives in institutional lending, and a decline in residential property development following the completion of several projects and a continued focus on risk appetite in Business and Private Banking.

Non-lending interest earning assets

Non-lending interest earning assets decreased $13 billion to $150 billion, reflecting an 8% decrease on the prior year. The decrease excluding the impact of foreign exchange was 9%, driven by lower liquid asset balances primarily due to a decrease in modelled net cash outflows.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, decreased $15 billion to $62 billion, a 19% decrease on the prior year, impacted by the reclassification of life insurance assets to Assets held for sale. Excluding this, balances increased 1% reflecting higher derivative asset balances primarily from interest rate and foreign exchange volatility, and increased trading asset balances.

Interest bearing deposits

Total interest bearing deposits decreased $9 billion to $572 billion, a 2% decrease on the prior year. The decrease excluding the impact of foreign exchange was 1%, driven by changes in the funding mix as the Bank replaced short-term wholesale funding with long-term wholesale funding to further strengthen the balance sheet, and lower investment deposits in Institutional Banking and Markets driven by increased competition from domestic and foreign banks. The decrease was partly offset by strong growth in transaction deposits balances in Retail Banking Services, Business and Private Banking and Institutional Banking and Markets.

Domestic household deposits grew at 4%, below system [1] of 6%, as the Bank focused on managing the volume and margin mix with consideration to the level of asset growth, and the maturity of term deposits in Retail Banking Services following a campaign in the prior year.

Debt issues

Debt issues increased $5 billion to $173 billion, a 3% increase on the prior year, reflecting changes in the funding mix as the Bank actively replaced short-term wholesale funding with long-term wholesale funding to further strengthen the balance sheet.

Deposits satisfied the majority of the Bank's funding requirements, however strong access was maintained to both domestic and international wholesale debt markets.

Refer to pages 72 and 73 for further information on debt programs and issuances for the year ended 30 June 2018.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, decreased $3 billion to $54 billion, a 6% decrease on the prior year, primarily driven by a net decrease in cash collateral received from counterparties and lower offshore central bank deposits, partly offset by new Tier 2 and PERLS X issuances.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $5 billion to $49 billion, an 11% increase on the prior year, primarily driven by growth in personal and business transaction accounts in Retail Banking Services.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, decreased $17 billion to $45 billion, a 27% decrease on the prior year, impacted by the reclassification of life insurance liabilities to Liabilities held for sale. Excluding this, balances decreased 5% reflecting lower derivative liability balances primarily from interest rate and foreign exchange volatility.

As reported Year Ended June 2017 versus June 2016

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

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

Home loans

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

Consumer finance

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

Business and corporate loans

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

Non-lending interest earning assets

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

(1) System source: RBA/APRA/RBNZ. CBA includes Bankwest.

Group Assets and Liabilities (continued)

Other assets

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

Total interest bearing deposits

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

Debt issues

Debt issues increased $5 billion to $168 billion, a 3% increase on the prior year. While deposits satisfied the majority of the Bank's funding requirements, strong access was maintained to both domestic and international wholesale debt markets.

Refer to pages 72 and 73 for further information on debt programs and issuance for the year ended 30 June 2017 and 2016.

Other interest bearing liabilities

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

Non-interest bearing transaction deposits

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

Other non-interest bearing liabilities

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

This page has been intentionally left blank

Contents

Section 4 - Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality 58

Capital 62

Dividends 69

Leverage Ratio 69

Liquidity 70

Debt Issues 72

Funding 74

Net Stable Funding Ratio 77

Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	Jun 18 vs Jun 17 %	Jun 17 vs Jun 16 %
Provisions for impairment losses					
Collective provision	**2,763**	2,747	2,818	1	(3)
Individually assessed provisions	**870**	980	944	(11)	4
Total provisions for impairment losses	**3,633**	3,727	3,762	(3)	(1)
Less: Provisions for Off Balance Sheet exposures	**(28)**	(34)	(44)	(18)	(23)
Total provisions for loan impairment	**3,605**	3,693	3,718	(2)	(1)

Year Ended June 2018 versus June 2017

Total provisions for impairment losses was $3,633 million, a decrease of $94 million or 3% on the prior year. The movement in the level of provisioning reflects:

- Corporate individually assessed provisions decreased by $109 million or 15% to $614 million. This was largely due to a small number of large write-offs and write-backs in Institutional Banking and Markets and Business and Private Banking, partly offset by increases in provisions for PT Bank Commonwealth ("PTBC") commercial exposures; and
- Corporate collective provisions decreased by $33 million or 4% to $808 million. This was due to reductions in exposures, a reduction in model adjustments reflecting improvements in the quality of maturity date data, transfers of collective provisions to individually assessed provisions for clients that became impaired, improvements in the quality of the Bankwest business portfolio, and improvements in the New Zealand business portfolio due to favourable macroeconomic conditions; partly offset by
- Management overlays increased by $45 million or 6% to $756 million. This was mainly in Retail Banking Services, due to the anticipated impact of possible changes to bankruptcy legislation and model recalibration updates, partly offset by the release of a centrally held loan impairment provision which was raised in the prior year and is no longer required. Economic overlays remained unchanged on the prior year.

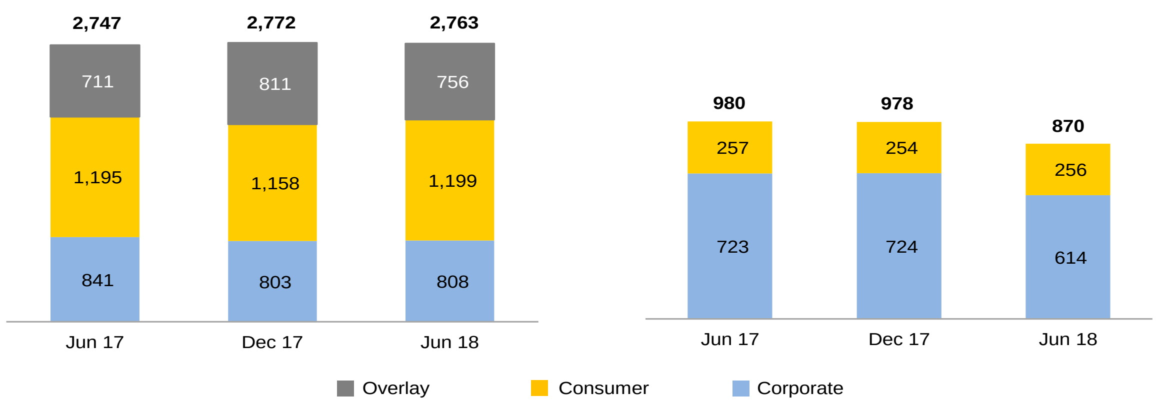
Year Ended June 2017 versus June 2016

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

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

Collective Provisions ($M) (1)

Individually Assessed Provisions ($M) (1)



(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

	Full Year Ended				
Credit Quality Metrics	**30 Jun 18 $M**	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 16 $M	Jun 17 vs Jun 16 %
Gross loans and acceptances (GLAA) ($M)	**748,408**	737,002	2	701,730	5
Risk weighted assets (RWA) ($M)	**458,612**	437,063	5	394,667	11
Credit RWA ($M)	**369,528**	377,259	(2)	344,030	10
Gross impaired assets ($M)	**3,179**	3,187	-	3,116	2
Net impaired assets ($M)	**2,111**	2,038	4	1,989	2
Provision Ratios					
Collective provision as a % of credit RWA	**0. 75**	0. 73	2 bpts	0. 82	(9)bpts
Total provisions as a % of credit RWA	**0. 98**	0. 99	(1)bpt	1. 09	(10)bpts
Total provisions for impaired assets as a % of gross impaired assets	**33. 60**	36. 05	(245)bpts	36. 17	(12)bpts
Total provisions for impaired assets as a % of gross impaired assets (corporate)	**41. 84**	42. 82	(98)bpts	n/a	n/a
Total provisions for impaired assets as a % of gross impaired assets (consumer)	**26. 04**	28. 45	(241)bpts	n/a	n/a
Total provisions for impairment losses as a % of GLAAs	**0. 49**	0. 51	(2)bpts	0. 54	(3)bpts
Asset Quality Ratios					
Gross impaired assets as a % of GLAAs	**0. 42**	0. 43	(1)bpt	0. 44	(1)bpt
Loans 90+ days past due but not impaired as a % of GLAAs	**0. 43**	0. 36	7 bpts	0. 33	3 bpts
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**0. 15**	0. 15	-	0. 19	(4)bpts
Net write-offs annualised as a % of GLAAs	**0. 16**	0. 16	-	n/a	n/a
Corporate total committed exposures rated investment grade (%) (1)	**67. 90**	69. 20	(130)bpts	n/a	n/a
Australian Home Loan Portfolio					
Portfolio dynamic LVR (%) (2)	**49. 88**	50. 33	(45)bpts	n/a	n/a
Customers in advance (%) (3)	**77. 80**	77. 31	49 bpts	n/a	n/a

(1) Investment grades based on CBA grade in S&P equivalent.
(2) Loan to value ratio ("LVR") defined as current balance as a percentage of the current valuation on Australian home loan portfolio.
(3) Any amount ahead of monthly minimum repayment (including offset facilities).

Provision Ratios and Impaired Assets

Management believes its provision coverage ratios remain prudent. The impaired asset portfolio remains well provisioned with provision coverage of 33.60%, a decrease of 85 basis points on the prior half.

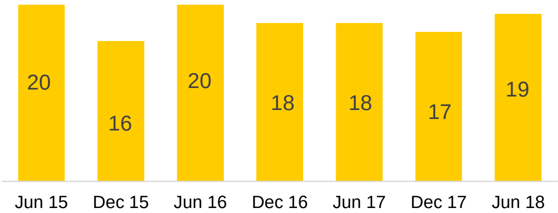
Gross impaired assets were $3,179 million, a decrease of 6% or $188 million on the prior half. Gross impaired assets as a proportion of GLAAs were 0.42%, a decrease of 3 basis points on the prior half mainly due to the partial write-off of a large single name exposure.

Retail Portfolio Asset Quality

The retail consumer portfolio's credit quality remained sound during the period. The retail consumer portfolio's LIE as a percentage of average GLAAs was 19 basis points, an increase of 2 basis points compared to the prior half reflecting seasonally higher consumer finance and home loan arrears.

Consumer LIE

Half Year Loan impairment expense ("cash basis") annualised as percentage of average GLAAs (bpts)

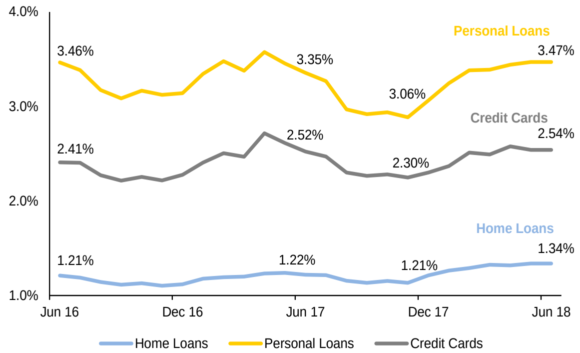


Loan Impairment Provisions and Credit Quality (continued)

Retail Portfolio Asset Quality (continued)

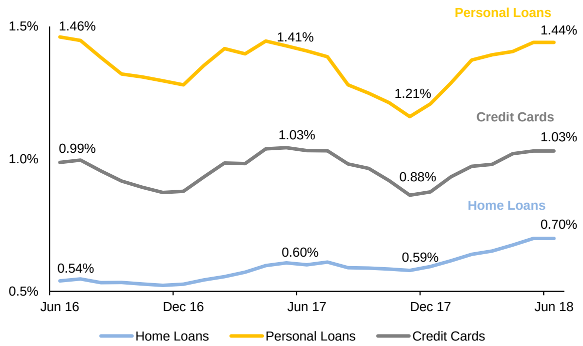
The retail portfolio arrears remain relatively low. Home loan 90+ days arrears were 0.70%, an increase of 11 basis points on the prior half driven by seasonality and some households experiencing difficulties with rising essential costs and limited income growth, leading to some pockets of stress. A large proportion of this increase is fully secured and therefore has not translated to a material increase in loan impairment expense. Increases in 90+ days arrears for the unsecured retail portfolios were largely in line with expected seasonal trends across the half. The home lending book remains well secured with an increase in the dynamic LVR of 12 basis points to 49.88% for the half. The majority of home lending customers remain in advance of scheduled repayments and the loan serviceability buffer remains at 2.25% above the customer interest rate, with a minimum floor rate of 7.25%. Further risk mitigants remain in place including lenders mortgage insurance requirements and a 90% LVR limit for higher risk loans.

30+ Days Arrears Ratios (%) (1)



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

90+ Days Arrears Ratios (%) (1)



Corporate Portfolio Asset Quality

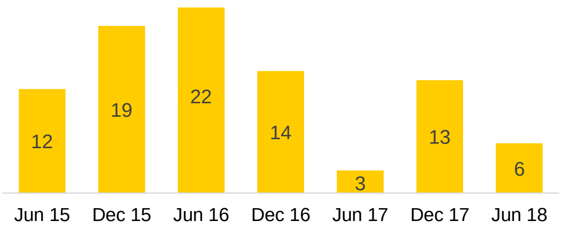
Corporate troublesome exposures at $3.3 billion increased by $700 million or 27% on the prior half partly due to a large single name troublesome exposure in the transport sector and the migration of some impaired assets back into troublesome.

Investment grade rated exposures decreased by 10 basis points on the prior half to 67.9% of overall portfolio risk graded counterparties partly due to a reduction in sovereign exposures reflecting liquidity management activities.

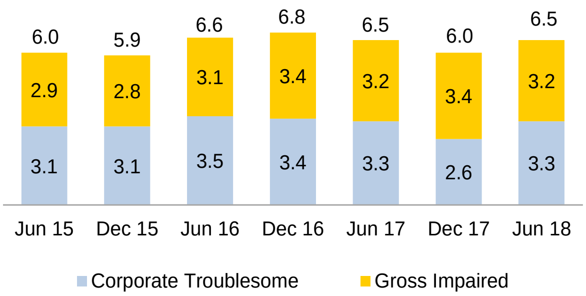
Corporate LIE as a percentage of gross loans and acceptances was down 7 basis points on the prior half to 6 basis points. The decrease is due to non-recurrence of a large single name impairment in Institutional Banking and Markets, partly offset by higher individual provisions in Business and Private Banking.

Corporate LIE

Half Year Loan impairment expense ("cash basis") annualised as percentage of average GLAAs (bpts)

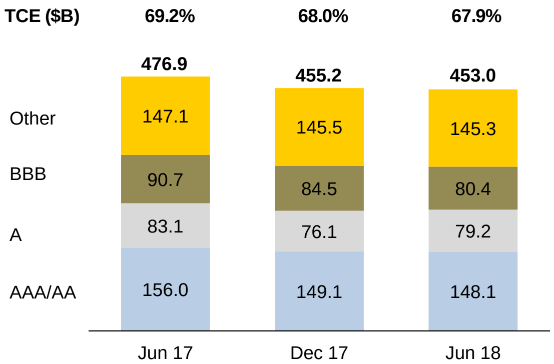


Troublesome and Impaired Assets ($B)



Corporate Portfolio Quality

% of book rated investment grade (1)



(1) CBA grades in S&P equivalents

Loan Impairment Provisions and Credit Quality (continued)

Industry Exposure and Asset Quality

The distribution of the Bank's credit exposures by industry remained relatively consistent during the half. The largest movement was an increase in the consumer sector of 0.8% from 56.6% of the banks total committed exposures to 57.4% driven by home loan growth. The next largest movement was a reduction in sovereign exposure of 0.4% from 9.7% to 9.3% reflecting liquidity management activities.

Movements in troublesome and impaired assets ("TIA") were mixed across industry sectors, with total TIA increasing by $506 million or 8% compared to the prior half to $6,541 million. The largest increase came from transport due to a credit downgrade of a large single name exposure, followed by consumer reflecting increased home loan arrears. These increases were partly offset by exposure reduction and write-backs in the mining sector and a reduction in the business services sector led by the partial write-off of a large single name exposure.

TIA as a percentage of Total Committed Exposures ("TCE") increased by 4 basis points from 0.56% to 0.60%. Transport experienced the largest deterioration due to the downgrade of a large single name exposure. Construction deteriorated due to a large single name exposure. This was partly offset by improvements in business services due to the partial write-off of a large single name exposure.

Credit Exposure by Industry [1]

	Total Committed Exposures (TCE)		Troublesome and Impaired Assets (TIA)		TIA % of TCE	
	30 Jun 18 %	31 Dec 17 %	**30 Jun 18 $M**	31 Dec 17 $M	**30 Jun 18 %**	31 Dec 17 %
Consumer	**57. 4**	56. 6	**1,659**	1,511	**0. 27**	0. 25
Sovereign	**9. 3**	9. 7	**-**	-	**-**	-
Property	**6. 2**	6. 3	**632**	586	**0. 94**	0. 86
Banks	**5. 5**	5. 2	**9**	9	**0. 01**	0. 02
Finance - Other	**5. 2**	5. 1	**31**	35	**0. 05**	0. 06
Retail & Wholesale Trade	**2. 0**	2. 1	**487**	488	**2. 21**	2. 13
Agriculture	**2. 0**	2. 0	**900**	876	**4. 12**	4. 07
Manufacturing	**1. 4**	1. 4	**350**	290	**2. 34**	1. 90
Transport	**1. 4**	1. 5	**659**	399	**4. 29**	2. 49
Mining	**1. 3**	1. 3	**364**	409	**2. 64**	2. 97
Business Services	**1. 2**	1. 3	**184**	349	**1. 44**	2. 56
Energy	**1. 0**	1. 1	**4**	9	**0. 04**	0. 08
Construction	**0. 7**	0. 8	**297**	223	**3. 68**	2. 73
Health & Community	**0. 9**	0. 9	**218**	225	**2. 38**	2. 42
Culture & Recreation	**0. 6**	0. 7	**41**	47	**0. 62**	0. 66
Other	**3. 9**	4. 0	**706**	579	**1. 67**	1. 35
Total	**100. 0**	100. 0	**6,541**	6,035	**0. 60**	0. 56

(1) Comparative information has been restated to conform to presentation in the current period. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

Group Operations and Business Settings

Capital

Basel Regulatory Framework

Background

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

The capital reforms were implemented in Australia from 1 January 2013. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and also adopted an accelerated timetable for implementation.

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

(1) In December 2017, APRA announced that the CCyB for Australian exposures will remain at 0%. The Bank has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed.

Unquestionably Strong Capital Ratios

In July 2017 APRA released an information paper establishing the quantum of additional capital required for the Australian banking sector to have capital ratios that are unquestionably strong.

APRA's expectation is that the Australian major banks will operate with a CET1 average benchmark ratio of 10.5% or more by 1 January 2020.

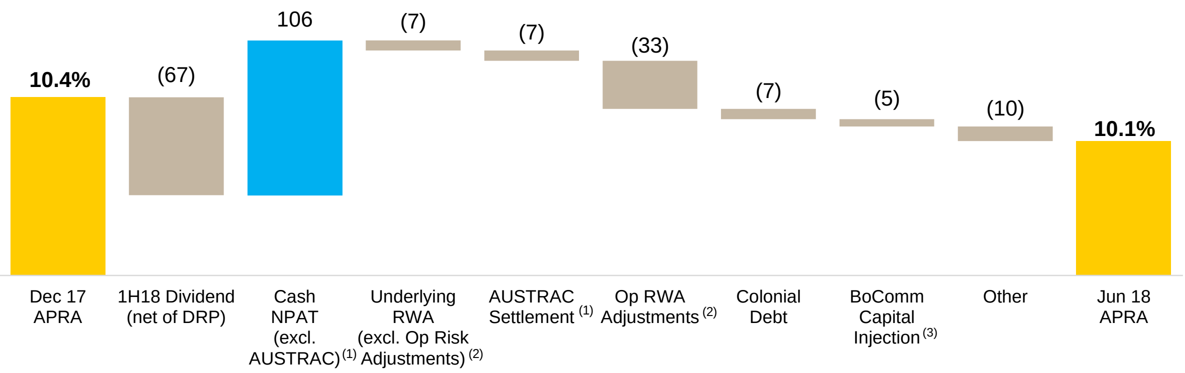
Following the finalisation of the reforms announced by the BCBS in December 2017, as detailed on page 64, APRA has advised that these reforms have been accommodated within the targets set by APRA in July 2017.

In February 2018, APRA commenced consultation on their approach to the finalised BCBS reforms. As part of its revisions to the capital framework, APRA will consult on potential adjustments to the overall design of the capital framework to improve transparency, international comparability and flexibility. Details on both the finalised BCBS and the proposed APRA reforms are detailed on pages 64 and 65.

Capital (continued)

Risk Weighted Capital Ratios	**30 Jun 18** **%**	31 Dec 17 %	30 Jun 17 %
Common Equity Tier 1	**10. 1**	10. 4	10. 1
Tier 1	**12. 3**	12. 4	12. 1
Tier 2	**2. 7**	2. 4	2. 1
Total Capital (APRA)	**15. 0**	14. 8	14. 2

Capital - CET1 (APRA)



(1) For the purposes of explaining the movement in CET1, the additional $325 million (-7basis points) for the AUSTRAC civil penalty has been shown separately. Of the $700 million total penalty announced on the 4 June 2018, $375 million was provided for in the half year ended 30 December 2017 (1H18) results. For more details on the AUSTRAC proceedings and AUSTRAC civil penalty, see "Description of Business Environment – Legal Proceedings".

(2) APRA's requirement to increase operational risk regulatory capital (28 basis points) and movement of the Wealth Management Advice business to the regulatory consolidated group (5 basis points) is not included in the underlying RWA and is presented separately.

(3) The capital contribution into BoComm Life will be fully reimbursed on completion of sale to Mitsui Sumitomo Insurance Co. Ltd

Capital Position

The Bank's CET1 ratio as measured on an APRA basis was 10.1% at 30 June 2018, compared with 10.4% at 31 December 2017 and 10.1% at 30 June 2017. The capital ratios were maintained well in excess of regulatory minimum requirements at all times throughout the year.

The decrease of 30 basis points over the half year ended 30 June 2018 was primarily driven by a number of unfavourable one-off impacts. These included higher Operational RWA driven by the capital adjustment required per the Enforceable Undertaking with APRA (-28 basis points) as detailed on page 64 and the transfer of the Advice business to the regulatory consolidated group (-5 basis points). Further unfavourable one-off impacts included the additional AUSTRAC civil penalty of $325 million (-7 basis points) in the half year ended 30 June 2018, the maturity of the final tranche of Colonial Debt that was subject to transitional relief (-7 basis points), and the capital contribution into BoComm Life (-5 basis points), (which will be fully reimbursed on completion of sale to Mitsui Sumitomo Insurance Co. Ltd).

The sale of the Bank's New Zealand life insurance business was completed on 2 July 2018, resulting in an uplift in the Bank's pro-forma CET1 ratio (APRA) of 27 basis points. The Bank is expected to complete the sale of its Australian life insurance business and its non-controlling investment in BoComm Life by December 2018, subject to regulatory approval, which will provide a further uplift of approximately 56 basis points. These impacts will be partly offset by the implementation of AASB 9 (-18bps) and AASB 15 (-3bps), resulting in a 30 June 2018 pro-forma CET1 ratio of approximately 10.7%. In June 2018, the Bank announced it will demerge its wealth management and mortgage broking businesses, and undertake a strategic review of its general insurance business.

Capital Initiatives

The following significant capital initiatives were undertaken during the year:

Common Equity Tier 1 Capital

- The Dividend Reinvestment Plan ("DRP") in respect of the 2017 final dividend, which included a 1.5% discount, was satisfied by the allocation of $1,573 million of ordinary shares, representing a participation rate of 39.5%; and
- The DRP in respect of the 2018 interim dividend was satisfied by the allocation of $536 million of ordinary shares, representing a participation rate of 15.3%.

Additional Tier 1 Capital

- In April 2018, the Bank issued $1.365 billion of CommBank PERLS X Capital Notes (PERLS X), a Basel III compliant Additional Tier 1 security.

Tier 2 Capital

- In October 2017, the Bank issued a EUR 1 billion subordinated note that is Basel III compliant Tier 2 capital; and
- In January 2018, the Bank issued a USD 1.25 billion subordinated note that is Basel III compliant Tier 2 capital.

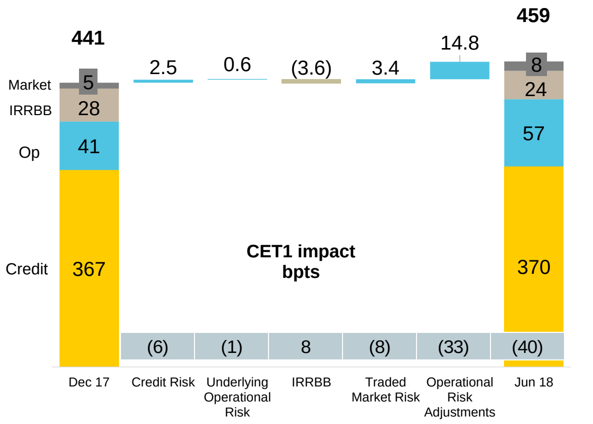
Capital (continued)

Risk Weighted Assets

Total Group Risk Weighted Assets

Total RWA increased by $17.8 billion or 4% on the prior half to $458.6 billion; driven by higher Operational Risk, Traded Market Risk and Credit Risk RWA, partly offset by lower IRRBB RWA.

Total Risk Weighted Assets ($B)



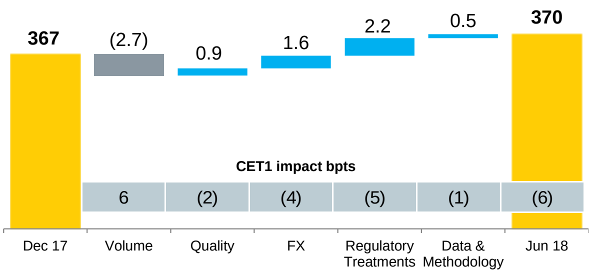
Credit Risk Weighted Assets

Credit Risk RWA increased by $2.5 billion or 1% on the prior half, driven by:

- Foreign currency movements ($1.6 billion);
- Implementation of revised APS 120 Securitisation requirements ($1.2 billion) and refresh of credit risk estimates and other regulatory treatments ($1.0 billion);
- Reduction in credit quality across some Retail and Corporate portfolios ($0.9 billion);
- Data and methodology changes in the treatment of maturities on derivative and loans (net $0.5 billion); and
- Growth in Retail Residential Mortgages ($2.2 billion).

These increases were offset by other volume reductions ($4.9 billion) due mainly to Corporate portfolio optimisation.

Credit Risk Weighted Assets ($B)



Interest Rate Risk Weighted Assets

IRRBB RWA decreased by $3.6 billion or 13% on the prior half. This was due to interest rate risk management activities and an increase in embedded gains.

Traded Market Risk Weighted Assets

Traded Market Risk RWA increased by $3.4 billion or 71%. This was driven by the conservative treatment, under the internal model approach, of some interest rate products, which is under review.

Operational Risk Weighted Assets

Operational Risk RWA increased by $15.4 billion or 37.4% on the prior half year. This includes:

- An add-on required by APRA following the Prudential Inquiry findings ($12.5 billion);
- The inclusion of Wealth Management Advice in the Level 2 Banking Group from 30 June 2018, in accordance with APRA's expectations relating to the capital treatment of advice related activities ($2.3 billion); and
- The regular assessment of the Bank's operational risk profile in the context of the evolving risk and regulatory environment ($0.6 billion).

The Bank regularly reviews and updates its Operational Risk RWA to reflect material changes in its operational risk profile in accordance with the Operational Risk Management Framework and governance processes.

Pillar 3 Disclosures

Details on the market disclosures required under Pillar 3, per prudential standard APS 330 "Public Disclosure", are provided on the US investor Website.

Other Regulatory Changes

Basel Committee on Banking Supervision

In December 2017, the BCBS released "Basel III: Finalising post-crisis reforms".

These reforms include:

- Revisions of Internal Ratings Based ("IRB") approach to credit risk including: removal of the 1.06 scaling factor, constraints on the use of IRB for certain asset classes (large corporates, banks and financial institutions), and application of minimum input parameters to the remaining IRB credit exposures;
- Improved granularity and risk sensitivity for the standardised approach for credit risk;
- Removal of the operational risk Advanced Measurement Approach and replaced by a single risk sensitive standardised approach to be used by all banks; and
- Introduction of an aggregate output floor based on the revised Basel III Standardised Approach RWA. The floor will be phased in over a 5 year period starting at 50% from 1 January 2022, increasing to 72.5% from 1 January 2027.

In March 2018 the BCBS issued a further consultation document on market risk "Revisions to the minimum capital requirements for market risk", which included a number of changes to the identification and measurements under both the standardised and IRB approach.

All of the above reforms are scheduled to be implemented from 1 January 2022.

Capital (continued)

APRA

In response to the finalisation of the above reforms by the BCBS, in February 2018 APRA released a discussion paper titled "Discussion paper – Revisions to the capital framework for authorised deposit-taking institutions". Additional proposals addressed by APRA include:

- Increased capital requirements for investment and interest only home loan exposures, and amendment to the correlation factor to dampen procyclicality of risk weights;
- Higher correlation factors to apply in the Other Retail asset class (including credit cards);
- Large corporates and financial institutions will be subject to the Foundation Internal Ratings based approach;
- Removal of slotting approach and introduction of two asset classes for commercial property;
- Merging of SME retail and SME Corporate asset classes;
- Higher Credit Conversion Factors ("CCFs") for off-balance sheet exposures;
- Mandate Loss Given Default ("LGD") and Exposure At Default ("EAD") estimates for certain non-retail portfolios; and
- Implementation of an output on floor on 1 January 2021 (without transitional phasing).

In August 2018, APRA released a second discussion paper titled "Discussion paper - Improving the transparency, comparability and flexibility of the ADI capital framework". APRA proposes two key options for achieving comparability, without changing the quantum or allocation of capital. The first option is similar to the current approach, with the additional disclosure of APRA prescribed internationally comparable capital ratios, alongside the current APRA regulatory capital ratios. The second option will result in only one set of APRA regulatory capital ratios that are more internationally harmonised than the current approach. The latter will be achieved by removing certain aspects of APRA's relative conservatism from ADIs' capital ratio calculations and lifting minimum regulatory capital ratio requirements in tandem.

APRA is proposing to implement these reforms from 1 January 2021, 12 months in advance of the BCBS implementation timeframes. APRA expects to release draft standards in 2019 and final standards in mid-2020.

Other reforms

- Two new accounting standards, AASB 9 financial Instruments and AASB 15 Revenue Recognition were implemented on 1 July 2018. The capital impact of implementing these standards are discussed on page 64. AASB 16 Leases will be implemented on 1 July 2019;
- APRA has finalised its prudential requirements for the standardised approach to counterparty credit risk ("SACCR"), and these will take effect from 1 July 2019;
- In November 2015, the FSB released the TLAC standard for GSIBs. APRA has indicated that it intends to consult on a minimum loss absorbing capacity framework in 2018; and
- The RBNZ has commenced a comprehensive review of the capital adequacy framework applying to registered banks incorporated in New Zealand. In December 2017, the RBNZ published "in principle" proposals on the definition of capital. In July 2018, "in principle decisions" were announced requiring the four largest banks to report using both their own risk models as well as the standardised frameworks. The RBNZ aims to conclude key elements of the Capital Review in 2018, including setting of minimum capital ratios.

Capital (continued)

The tables below show the APRA Basel III capital adequacy calculation at 30 June 2018 together with prior period comparatives.

	30 Jun 18	31 Dec 17	30 Jun 17
	$M	$M	$M
Ordinary Share Capital and Treasury Shares			
Ordinary Share Capital	**37,270**	36,776	34,971
Treasury Shares [1]	**265**	226	295
Ordinary Share Capital and Treasury Shares	**37,535**	37,002	35,266
Reserves			
Reserves	**1,676**	1,494	1,869
Reserves related to non-consolidated subsidiaries [2]	**(80)**	(71)	(81)
Total Reserves	**1,596**	1,423	1,788
Retained Earnings and Current Period Profits			
Retained earnings and current period profits	**28,360**	27,267	26,274
Retained earnings adjustment from non-consolidated subsidiaries [3]	**(342)**	(411)	(537)
Net Retained Earnings	**28,018**	26,856	25,737
Non-controlling interests			
Non-controlling interests [4]	**554**	554	546
Less ASB perpetual preference shares	**(505)**	(505)	(505)
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(49)**	(49)	(41)
Non-controlling Interests	**-**	-	-
Common Equity Tier 1 Capital before regulatory adjustments	**67,149**	65,281	62,791

(1) Represents shares held by the Bank's life insurance operations ($85 million) and employee share scheme trusts ($180 million).
(2) Represents equity reserve balances associated with the insurance and funds management entities, and those entities through which securitisation of the Bank's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.
(3) Cumulative current period profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.
(4) Non-controlling interests predominantly comprise ASB Perpetual Preference Shares of NZ$505 million issued by a New Zealand subsidiary entity. These are non-redeemable and carry limited voting rights. These are classified as Additional Tier 1 Capital.

Capital (continued)

	30 Jun 18	31 Dec 17	30 Jun 17
	$M	$M	$M
Common Equity Tier 1 regulatory adjustments			
Goodwill (1)	**(8,021)**	(8,051)	(7,620)
Other intangibles (including software) (2)	**(2,057)**	(2,212)	(2,144)
Capitalised costs and deferred fees	**(714)**	(652)	(707)
Defined benefit superannuation plan surplus (3)	**(407)**	(305)	(298)
General reserve for credit losses (4)	**(412)**	(388)	(412)
Deferred tax asset	**(1,911)**	(1,604)	(1,627)
Cash flow hedge reserve	**160**	151	107
Employee compensation reserve	**(145)**	(115)	(164)
Equity investments (5)	**(2,967)**	(2,683)	(2,626)
Equity investments in non-consolidated subsidiaries (6)	**(3,474)**	(2,999)	(2,673)
Shortfall of provisions to expected losses (7)	**(212)**	(99)	(218)
Gain due to changes in own credit risk on fair valued liabilities	**(116)**	(96)	(128)
Other	**(336)**	(286)	(122)
Common Equity Tier 1 regulatory adjustments	**(20,612)**	(19,339)	(18,632)
Common Equity Tier 1	**46,537**	45,942	44,159
Additional Tier 1 Capital			
Basel III complying instruments (8)	**9,455**	8,090	8,090
Basel III non-complying instruments net of transitional amortisation (9)	**640**	633	635
Holding of Additional Tier 1 Capital (10)	**(200)**	(200)	(200)
Additional Tier 1 Capital	**9,895**	8,523	8,525
Tier 1 Capital	**56,432**	54,465	52,684
Tier 2 Capital			
Basel III complying instruments (11)	**11,262**	9,255	7,744
Basel III non-complying instruments net of transitional amortisation (12)	**1,166**	1,213	1,495
Holding of Tier 2 Capital	**(25)**	(31)	(29)
Prudential general reserve for credit losses (13)	**176**	185	182
Total Tier 2 Capital	**12,579**	10,622	9,392
Total Capital	**69,011**	65,087	62,076

(1) Goodwill excludes $243 million which is included in equity investments in non-controlled subsidiaries. In addition, Goodwill also includes $1,323 million Goodwill from discontinued operations.
(2) Other intangibles (including capitalised software costs), net of any associated deferred tax liability. Other intangibles also includes $49 million other intangibles from discontinued operations.
(3) Represents the surplus in the Bank's defined benefit superannuation fund, net of any deferred tax liability.
(4) Adjustment to ensure the Bank has sufficient provisions and capital to cover credit losses estimated to arise over the full life of individual facilities, as required by APRA Prudential Standard APS 220.
(5) Represents the Bank's non-controlling interest in other entities.
(6) Non-consolidated subsidiaries primarily represent the insurance and funds management companies operating in the Colonial Group. The Bank's insurance and funds management operating entities held $1,161 million of capital in excess of minimal regulatory requirements at 30 June 2018.
(7) Regulatory Expected Loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (pre-tax).
(8) As at 30 June 2018, comprises PERLS X $1.365 billion (April 2018), PERLS IX $1.64 billion (March 2017), PERLS VIII $1.45 billion (March 2016), PERLS VII $3 billion (October 2014) and PERLS VI $2 billion (October 2012).
(9) Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments that are eligible for Basel III transitional relief.
(10) Represents holdings of Additional Tier 1 capital instruments issued by the Colonial Mutual Life Assurance Society Limited.
(11) In the June 2018 full year, the Bank issued USD 1.25 billion and EUR 1 billion subordinated notes that are Basel III compliant Tier 2 Capital.
(12) Includes both perpetual and term instruments subordinated to depositors and general creditors, having an original maturity of at least five years. APRA require these to be included as if they were unhedged. Term instruments are amortised 20% of the original amount during each of the last five years to maturity. These instruments are eligible for Basel III transitional relief.
(13) Represents the collective provision and general reserve for credit losses for exposures in the Group which are measured for capital purposes under the Standardised approach to credit risk.

Capital (continued)

Risk Weighted Assets ("RWA")	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M
Credit Risk			
Subject to AIRB approach (1)			
Corporate (2)	**68,479**	69,252	74,663
SME corporate (2)	**32,772**	33,521	33,067
SME retail	**4,709**	4,675	4,838
SME retail secured by residential mortgage	**2,458**	2,534	2,766
Sovereign	**2,509**	2,186	2,154
Bank	**11,097**	10,780	12,598
Residential mortgage	**139,203**	136,047	134,969
Qualifying revolving retail	**9,592**	8,524	9,414
Other retail	**15,750**	15,413	15,101
Total RWA subject to AIRB approach	**286,569**	282,932	289,570
Specialised lending exposures subject to slotting criteria	**55,893**	56,183	58,752
Subject to Standardised approach			
Corporate	**1,246**	1,250	1,202
SME corporate	**412**	279	510
SME retail	**5,856**	5,701	6,172
Sovereign	**222**	189	271
Bank	**79**	63	136
Residential mortgage	**5,627**	5,404	5,017
Other retail	**1,593**	2,717	2,925
Other assets	**5,241**	5,323	5,291
Total RWA subject to Standardised approach	**20,276**	20,926	21,524
Securitisation	**2,890**	1,622	1,584
Credit valuation adjustment (3)	**2,882**	4,498	4,958
Central counterparties	**1,018**	824	871
Total RWA for Credit Risk Exposures	**369,528**	366,985	377,259
Traded market risk	**8,255**	4,829	4,650
Interest rate risk in the banking book	**24,381**	27,944	21,404
Operational risk	**56,448**	41,078	33,750
Total risk weighted assets	**458,612**	440,836	437,063

(1) Pursuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06.
(2) Reclassification from AIRB SME Corporate (decrease $1,328 million) to AIRB Corporate (increase $1,879 million) due to changes in regulatory treatments.
(3) Adjustment in maturity treatments resulted in $1,050 million reduction.

Dividends

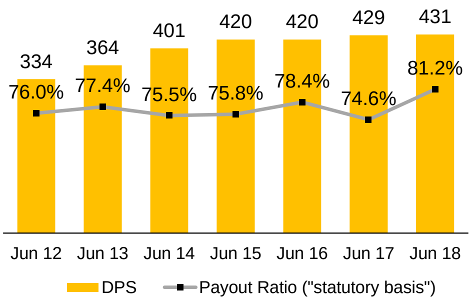
Final Dividend for the Year Ended 30 June 2018

The final dividend declared was $2.31 per share, bringing the total dividend for the year ended 30 June 2018 to $4.31 per share, an increase of 2 cents on the prior year. This represents a dividend payout ratio ("statutory basis") of 81.2%.

Excluding the AUSTRAC civil penalty, the dividend payout ratio ("cash basis") was 74.9% of net profit after tax ("cash basis"), within the Bank's target ratio of 70% to 80%.

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

Full Year Dividend History (cents per share)



(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

Dividend Reinvestment Plan ("DRP")

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

Dividend Policy

The Bank will seek to:

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

Leverage Ratio

	As at		
Summary Group Leverage Ratio	**30 Jun 18**	30 Jun 17	Jun 18 vs Jun 17 %
Tier 1 Capital ($M)	**56,432**	52,684	7
Total Exposures ($M) (1)	**1,018,622**	1,027,958	(1)
Leverage Ratio (APRA) (%)	**5. 5**	5. 1	40 bpts

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

The Bank's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.5%, an increase of 40 basis points from 30 June 2018 on an APRA basis.

The ratio increased across both the full year ended 30 June 2018 and the half year ended 30 June 2018, primarily driven by both organic capital generation and the Additional Tier 1 PERLS X issuance.

In December 2017, as part of the final calibration of the Leverage Ratio, the BCBS announced:

- Confirmation that the Leverage Ratio will have a minimum regulatory requirement of 3%, effective from 1 January 2018; and
- Changes in the definition of exposures related to derivatives and off balance sheet items, effective from 1 January 2022.

In February 2018, APRA released additional refinements to the BCBS guidance including a minimum leverage requirement of 4% for IRB banks. These changes are subject to consultation and are proposed to apply from 1 July 2019.

Liquidity

	As at				
	30 Jun 18	30 Jun 17	30 Jun 16	Jun 18 vs	Jun 17 vs
Level 2	**$M**	$M	$M	Jun 17 %	Jun 16 %
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) (1)	**83,589**	93,402	75,147	(11)	24
Committed Liquidity Facility (CLF)	**53,300**	48,300	58,500	10	(17)
Total LCR Liquid Assets	**136,889**	141,702	133,647	(3)	6
Net Cash Outflows (NCO)					
Customer deposits	**73,470**	77,298	70,139	(5)	10
Wholesale funding (2)	**13,893**	17,579	19,406	(21)	(9)
Other net cash outflows (3)	**16,767**	15,271	21,854	10	(30)
Total NCO	**104,130**	110,148	111,399	(5)	(1)
Liquidity Coverage Ratio (%)	**131**	129	120	200 bpts	9 bpts
LCR Surplus	**32,759**	31,554	22,248	4	42

(1) Includes all repo-eligible securities with the Reserve Bank of New Zealand. The Exchange Settlement Account ("ESA") cash balance is netted down by the Reserve Bank of Australia open-repo of internal Residential Mortgage-Backed Securities ("RMBS").

(2) Includes all interbank deposits that are included as short-term wholesale funding on page 74.

(3) Includes cash inflows.

Year Ended June 2018 versus June 2017

The Bank holds what management believes to be high quality, diversified liquid assets to meet Balance Sheet liquidity needs and internal and external regulatory requirements, including APRA's LCR [1]. The LCR requires ADIs to hold sufficient liquid assets to meet 30 day Net Cash Outflows ("NCOs") projected under a prescribed stress scenario. LCR liquid assets consist of High Quality Liquid Assets ("HQLA") in the form of cash, deposits with central banks and government securities as well as other high quality securities repo-eligible with the RBA under the Committed Liquidity Facility ("CLF"). Given the limited amount of government securities in Australia, the RBA provides participating ADIs access to contingent liquidity on a secured basis via the CLF. The amount of the CLF for each ADI is set annually by APRA.

The Bank's LCR at 30 June 2018 was 131%, flat on the prior half and a 200 basis point increase from 30 June 2017 of 129%, and remains well above the regulatory minimum of 100%. In the full year to 30 June 2018, the LCR liquid assets decreased by $5 billion, following a decline in modelled NCOs of $6 billion. The decrease in LCR liquid assets was driven by a $10 billion reduction in HQLA held, partly offset by a $5 billion increase in the CLF on 1 January 2018. The decrease in modelled NCO's over the year was driven by a reduction in wholesale funding maturities over the next 30 days and lower customer deposit NCOs due to a more LCR efficient deposit mix.

Year Ended June 2017 versus June 2016

At 30 June 2017, the Bank's LCR was 129%, up from 120% as at 30 June 2016.

HQLAs increased $18 billion to $93 billion, as the Bank managed its liquidity position ahead of a reduction in the RBA's CLF effective 1 January 2017.

Liquid assets surplus to regulatory requirements increased to $32 billion, with total liquid assets as at 30 June 2017 of $142 billion, including the CLF.

Total modelled NCOs decreased slightly on the prior year. Modelled customer deposit NCOs increased $7 billion to $77 billion.

Modelled wholesale funding NCOs decreased $2 billion to $18 billion as a result of lower debt maturities in the next 30 days. Other modelled NCOs decreased $7 billion to $15 billion due to lower liquidity needs related to derivative exposures and other collateral requirements.

(1) The LCR is the first quantitative liquidity measure that is part of the Basel III reforms. It was implemented by APRA in Australia on 1 January 2016. It requires Australian ADI's to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA-prescribed stress scenario.

Liquidity (continued)

Liquidity and Capital Resources

The Bank's key liquidity tools include:

- A regulatory liquidity management reporting system delivering granular customer and product type information to inform business decision making, product development and resulting in a greater awareness of the liquidity risk adjusted value of banking products;
- A liquidity management model similar to a "maturity ladder" or "liquidity gap analysis" that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "stress" liquidity crisis scenarios, incorporating both systemic and idiosyncratic crisis assumptions, such that the Bank expects to have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- Central bank repurchase agreement facilities that provide the Bank with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- A robust Contingent Funding Plan, as discussed in Note 9.4 to the 2018 Financial Report that is regularly tested so that it can be activated in case of need due to a liquidity event.

Group Operations and Business Settings

Debt Issues

Debt Issues [1]	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Medium-term notes	**99,579**	96,016	88,343
Commercial paper	**26,868**	28,800	29,033
Securitisation notes	**13,089**	13,771	12,106
Covered bonds	**32,758**	28,984	31,802
Total debt issues	**172,294**	167,571	161,284
Short Term Debt Issues by currency			
USD	**27,008**	29,856	29,008
AUD	**1,009**	1,858	214
GBP	**2,949**	5,687	6,741
Other currencies	**335**	769	312
Total short term debt issues	**31,301**	38,170	36,275
Long Term Debt Issues by currency [2]			
USD	**51,472**	45,343	43,479
EUR	**33,057**	28,109	28,329
AUD	**35,066**	32,405	27,223
GBP	**4,701**	6,059	5,604
NZD	**3,954**	5,129	4,839
JPY	**3,505**	3,790	6,547
Other currencies	**9,175**	8,158	8,464
Offshore loans (all JPY)	**63**	408	524
Total long term debt issues	**140,993**	129,401	125,009
Maturity Distribution of Debt Issues [3]			
Less than twelve months	**59,980**	57,640	64,459
Greater than twelve months	**112,314**	109,931	96,825
Total debt issues	**172,294**	167,571	161,284

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

For further information on the Bank's Debt Issues please see Note 4.3 to the 2018 Financial Report.

An analysis of our borrowings and outstandings from existing debt programs and issuing shelves including the maturity profile, currency and interest rate structure can be found in Notes 4.3 and 8.2 to the 2018 Financial Report.

Debt Issues (continued)

The following table details the current debt programs and issuing shelves along with program or shelf size as at 30 June 2018. Access in a timely and flexible manner to a diverse range of debt markets and investors is provided by the following programs.

Debt Programmes and Issuing Shelves

Programme/ Issue Shelf	Programme/ Issuing Shelf Type
Australia	
Unlimited	Domestic Debt Issuance Programme
Unlimited	CHCL A$ Debt Issuance Programme
Euro Market	
EUR 7 billion	ASB Covered Bond Programme (1)
USD 7 billion	ASB Euro Commercial Paper Programme (1)
USD 20 billion (2)	CBA Euro Commercial Paper and Certificate of Deposit Programme
USD 70 billion	Euro Medium-Term Note Program (2)
Asia	
JPY 500 billion	Uridashi shelf (3)
JPY 500 billion	Samurai shelf (3)
USD 5 billion	Asian Transferable Certificate of Deposit Programme
New Zealand	
Unlimited	ASB Domestic Medium-Term Note Programme (4)
Unlimited	ASB Registered Certificate of Deposit Programme (4)
United States	
USD 7 billion (1)	ASB US Commercial Paper Programme (1)
USD 10 billion (4)	ASB US Rule 144a/Regulation S Medium-Term Note Programme
USD 35 billion	CBA US Commercial Paper Programme
USD 50 billion	U.S. Rule 144A/Regulation S Medium-Term Note Programme
USD 30 billion	CBA Covered Bond Programme
USD 25 billion	CBA 3(a)(2) Programme

(1) ASB Finance Limited is the issuer under these programmes. Issuances are unconditionally and irrevocably guaranteed by ASB Bank Limited.
(2) This is a joint programme between CBA and ASB Finance Limited. Issuances by ASB Finance Limited under the programme are unconditionally and irrevocably guaranteed by ASB Bank Limited.
(3) Amount are also reflected under the US$70 billion Euro Medium-Term Note Program.
(4) ASB Bank Limited is the issuer under these programmes.

Group Operations and Business Settings

Funding

Group Funding [1]	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 16 $M	Jun 17 vs Jun 16 %
Customer deposits	**569,846**	560,918	2	517,974	8
Short-term wholesale funding [2]	**85,360**	106,815	(20)	110,714	(4)
Long-term wholesale funding - less than one year residual maturity	**33,564**	25,330	33	29,297	(14)
Long-term wholesale funding - more than one year residual maturity [3]	**137,136**	131,950	4	118,121	12
IFRS MTM and derivative FX revaluations	**(165)**	1,150	large	4,149	(72)
Total wholesale funding	**255,895**	265,245	(4)	262,281	1
Short-term collateral deposits [4]	**6,193**	6,135	1	8,323	(26)
Total funding	**831,934**	832,298	-	788,578	6

(1) Shareholders' Equity is excluded from this view of funding sources.
(2) Short-term wholesale funding includes debt with an original maturity or call date of less than or equal to 12 months, and consists of certificates of deposit and bank acceptances, debt issued under the EMTN program and the domestic, Euro and US commercial paper programs of CBA and ASB. Short-term wholesale funding also includes deposits from banks and central banks as well as net repurchase agreements.
(3) Long-term wholesale funding includes debt with an original maturity or call date of greater than 12 months.
(4) Short-term collateral deposits includes net collateral received and the amount of internal RMBS pledged with the Reserve Bank to facilitate intra-day cash flows in the ESA.

Year Ended June 2018 versus June 2017

Customer Deposits

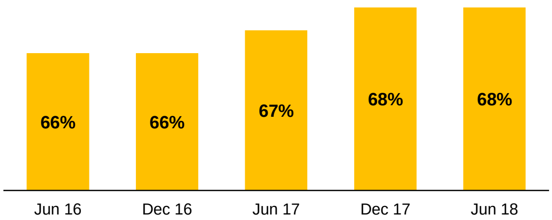
Retail, business, and institutional customer deposits accounted for 68% of total funding at 30 June 2018, flat on 31 December 2017 and a 1% increase from 67% at 30 June 2017.

Short-Term Wholesale Funding

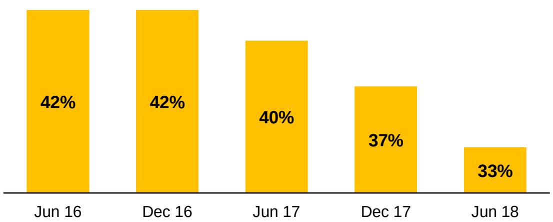
Short-term wholesale funding includes debt with an original maturity or call date of less than 12 months, and consists of Certificates of Deposit and Bank Acceptances, as well as debt issued under domestic, Euro and US Commercial paper programs by the Bank and ASB.

Short-term wholesale funding accounted for 33% of total wholesale funding at 30 June 2018, a 4% decrease from 37% at 31 December 2017, and a 7% decrease from 40% at 30 June 2017, as the Bank continued to strengthen its funding position by replacing short-term wholesale funding with long-term wholesale funding.

Customer Deposits to Total Funding Ratio



Short Term to Total Wholesale Funding Ratio



Funding (continued)

Long-Term Wholesale Funding

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

Long-term wholesale funding (including IFRS market to market and derivative foreign exchange revaluations) accounted for 67% of total wholesale funding at 30 June 2018, a 4% increase from 63% at 31 December 2017, and a 7% increase from 60% at 30 June 2017, as the Bank continued to increase the level of long-term wholesale funding to further strengthen the balance sheet.

During the full year to 30 June 2018, the Bank raised $33 billion of long-term wholesale funding in multiple currencies including AUD, USD, EUR, and GBP.

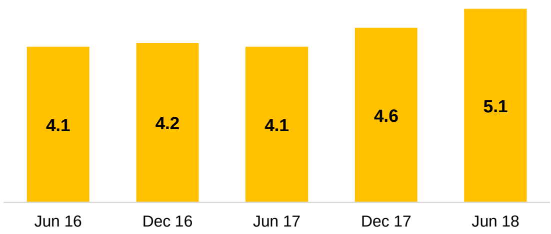
Most issuances were in senior unsecured format, although the Bank used its covered bond and RMBS programs to provide cost, tenor and diversification benefits. The Bank also issued Basel III compliant Tier 2 capital of $3 billion.

The Weighted Average Maturity (WAM) of new long-term wholesale debt increased 3.8 years to 9.0 years for the 12 months to 30 June 2018. The WAM of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 30 June 2018 increased by 1.0 year to 5.1 years.

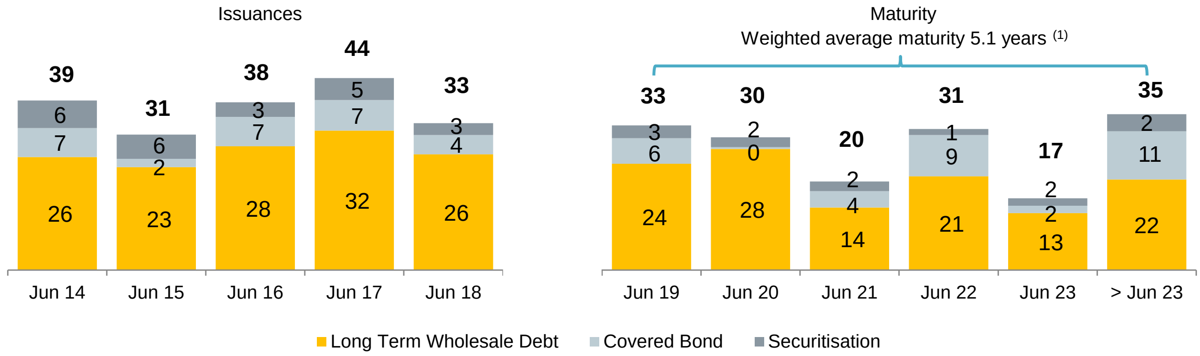
The Bank lengthened the tenor of its wholesale funding to take advantage of favourable global credit conditions, in anticipation of an expected increase in global interest rates and a reduction in liquidity as central banks begin to unwind quantitative easing. The 10 year market funding costs have been at their lowest level since the Global Financial Crisis. This has created opportunities to lengthen the wholesale funding tenor at relatively lower wholesale funding costs.

The extension of long-term wholesale funding tenor reduces the annual funding requirement in any one year and the associated refinancing risk from potentially unfavourable credit conditions.

Weighted Average Maturity of Long-Term Wholesale Debt (1)



Long Term Wholesale Funding Profile ($B)



(1) Represents the weighted average maturity of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 30 June 2018.

Funding (continued)

Year Ended June 2017 versus June 2016

Customer Deposits

Customer deposits accounted for 67% of total funding at 30 June 2017, compared to 66% in the prior year.

Short-Term Wholesale Funding

Short-term wholesale funding accounted for 40% of total wholesale funding at 30 June 2017, compared to 42% in the prior year. Short-term wholesale funding decreased 4% given strong customer funding growth and long-term wholesale funding.

Long-Term Wholesale Funding

Long-term wholesale funding (including an adjustment for IFRS mark-to-market and derivative foreign exchange revaluations) accounted for 60% of total wholesale funding at 30 June 2017, compared to 58% in the prior year.

During the period, the Bank raised $43 billion of long-term wholesale funding in multiple currencies including AUD, USD, EUR, and GBP. The cost of new long-term wholesale funding decreased compared to the prior year given favourable global credit market conditions.

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

The WAM of new long-term wholesale debt issued in the year to June 2017 was 5.2 years. The WAM of outstanding long-term wholesale debt with a residual maturity greater than 12 months was 4.1 years at 30 June 2017.

Short-Term Collateral Deposits

Net collateral received decreased $2 billion largely due to the impact of the stronger Australian dollar.

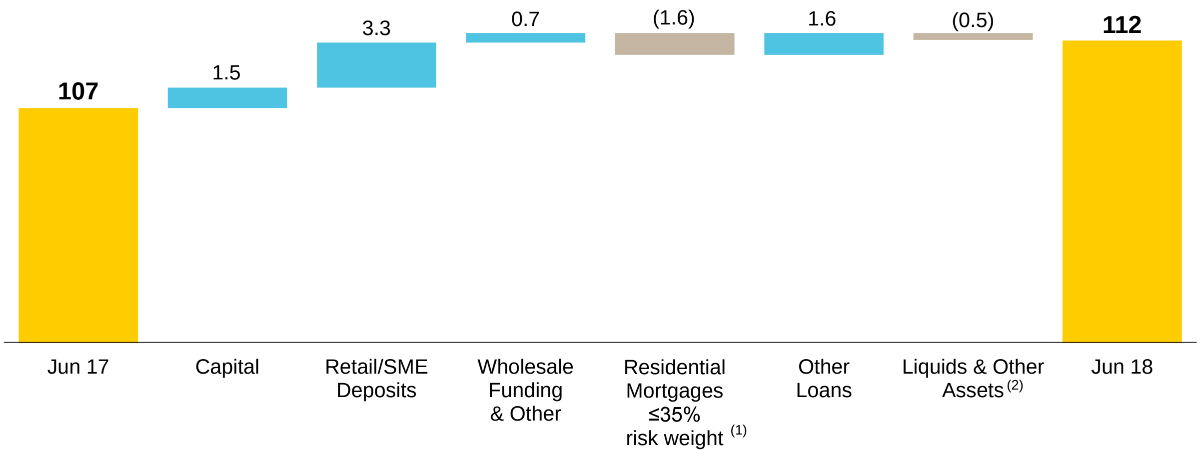
Net Stable Funding Ratio

Level 2	30 Jun 18 $M	31 Dec 17 $M	30 Jun 17 $M	Jun 18 vs Dec 17 %	Jun 18 vs Jun 17 %
	As at				
Required Stable Funding					
Residential Mortgages ≤35% (1)	**251,166**	254,465	242,161	(1)	4
Other Loans	**253,740**	243,748	263,160	4	(4)
Liquid and Other Assets (2)	**64,579**	60,644	57,825	6	12
Total Required Stable Funding	**569,485**	558,857	563,146	2	1
Available Stable Funding					
Capital	**90,219**	82,405	81,281	9	11
Retail/SME Deposits	**346,289**	341,780	327,357	1	6
Wholesale Funding & Other	**198,759**	192,406	194,766	3	2
Total Available Stable Funding	**635,267**	616,591	603,404	3	5
Net Stable Funding Ratio (NSFR) (%)	**112**	110	107	200 bpts	large

Net Stable Funding Ratio

On 1 January 2018, APRA introduced a NSFR requirement designed to encourage stable funding of core assets. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of sources of funding. The Bank's NSFR was 112% at 30 June 2018, an increase of 2% from 110% at 31 December 2017, and well above the regulatory minimum of 100% which applied from 1 January 2018. The increase was mainly driven by a more NSFR efficient customer deposit mix.

NSFR Movement (%)



(1) This represents residential mortgages with a risk weight of less than or equal to 35% under APRA standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk.

(2) Includes non-performing loans, off-balance sheet items, net derivatives, and other assets.

Contents

Section 5 - Divisional Performance

Retail Banking Services	79
Business and Private Banking	83
Institutional Banking and Markets	87
Wealth Management	91
New Zealand	97
Bankwest	106
International Financial Services	109
Other	113
Divisional Summary	115

Retail Banking Services

Overview

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

On 25 August 2017, the Bank acquired the remaining 20% share in AHL Holdings Pty Limited (trading as Aussie Home Loans), bringing its shareholding to 100%. On 23 February 2018, the Bank also acquired the assets of eChoice. As a result the Bank now controls and consolidates AHL and the operations of eChoice. In order to provide an underlying view of the performance, the information presented below has been presented both including and excluding the impact of these acquisitions.

	Full Year Ended						
	Excluding AHL and eChoice (1)						Total RBS
		Restated (2)		As reported			
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs	**30 Jun 18**
	$M	$M	Jun 17 %	$M	$M	Jun 16 %	**$M**
Net interest income	**9,786**	9,208	6	9,225	8,717	6	**9,791**
Other banking income	**1,861**	1,997	(7)	2,000	1,794	11	**2,086**
Total banking income	**11,647**	11,205	4	11,225	10,511	7	**11,877**
Operating expenses	**(3,548)**	(3,473)	2	(3,452)	(3,373)	2	**(3,745)**
Loan impairment expense	**(716)**	(702)	2	(699)	(663)	5	**(716)**
Net profit before tax	**7,383**	7,030	5	7,074	6,475	9	**7,416**
Corporate tax expense	**(2,214)**	(2,097)	6	(2,110)	(1,935)	9	**(2,223)**
Net profit after tax excluding AHL and eChoice	**5,169**	4,933	5	4,964	4,540	9	**n/a**
Cash net profit after tax from AHL and eChoice	**24**	-	n/a	-	-	-	**n/a**
Net profit after tax ("cash basis")	**5,193**	4,933	5	4,964	4,540	9	**5,193**
Gain on acquisition, disposal, closure and demerger of businesses	**-**	-	-	-	-	-	**58**
Net profit after tax ("statutory basis") (3)	**5,193**	4,933	5	4,964	4,540	9	**5,251**
Income analysis:							
Net interest income							
Home loans	**4,729**	4,291	10	4,298	3,949	9	**4,729**
Consumer finance (4)	**1,938**	2,001	(3)	1,996	2,031	(2)	**1,938**
Retail deposits	**3,066**	2,859	7	2,863	2,659	8	**3,066**
Other (5)	**53**	57	(7)	68	78	(13)	**58**
Total net interest income	**9,786**	9,208	6	9,225	8,717	6	**9,791**
Other banking income							
Home loans	**223**	218	2	218	221	(1)	**223**
Consumer finance (4)	**576**	613	(6)	612	507	21	**576**
Retail deposits	**561**	586	(4)	586	511	15	**561**
Distribution (6)	**359**	451	(20)	442	422	5	**584**
Other (5)	**142**	129	10	142	133	7	**142**
Total other banking income	**1,861**	1,997	(7)	2,000	1,794	11	**2,086**
Total banking income	**11,647**	11,205	4	11,225	10,511	7	**11,877**

(1) Excludes AHL and eChoice, but includes equity accounted profits earned before the Bank gained control and consolidated AHL.
(2) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.
(4) Consumer finance includes personal loans and credit cards.
(5) Other includes asset finance, merchants and business lending.
(6) Distribution includes income associated with the sale of foreign exchange products, income received from the distribution of wealth management products through the retail network, and equity accounted profits from associates.

Retail Banking Services

	As at					
		Restated (1)		As reported (7)		
	30 Jun 18	30-Jun-17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
Balance Sheet (incl. AHL and eChoice)	$M	$M	Jun 17 %	$M	$M	Jun 16 %
Home loans (2)	**347,139**	334,530	4	335,222	313,682	7
Consumer finance (3)	**17,002**	17,118	(1)	17,141	17,228	(1)
Other interest earning assets	**2,506**	2,744	(9)	3,173	2,870	11
Total interest earning assets	**366,647**	354,392	3	355,536	333,780	7
Other assets	**1,625**	968	68	967	852	13
Total assets	**368,272**	355,360	4	356,503	334,632	7
Transaction deposits (4)	**29,130**	24,329	20	24,364	18,084	35
Savings deposits (4)	**114,230**	116,478	(2)	116,706	118,913	(2)
Investment deposits and other	**80,446**	77,132	4	77,063	73,111	5
Total interest bearing deposits	**223,806**	217,939	3	218,133	210,108	4
Non-interest bearing transaction deposits	**33,333**	30,529	9	30,782	25,338	21
Other non-interest bearing liabilities	**3,369**	3,840	(12)	3,858	3,078	25
Total liabilities	**260,508**	252,308	3	252,773	238,524	6

	Full Year Ended					
		Restated (1)		As reported		
			Jun 18 vs			Jun 17 vs
Key Financial Metrics (excluding AHL and eChoice)	**30 Jun 18**	30 Jun 17	Jun 17 %	30 Jun 17	30 Jun 16	Jun 16 %
Performance indicators						
Net interest margin (%)	**2. 98**	2. 90	8 bpts	n/a	n/a	n/a
Return on assets (%)	**1. 4**	1. 4	-	1. 4	1. 4	-
Statutory operating expenses to total banking income (%)	**30. 5**	31. 0	(50)bpts	30. 8	32. 1	(130)bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 20**	0. 20	-	0. 20	0. 21	(1)bpt
Other information						
Average interest earning assets ($M) (5)	**328,851**	317,052	4	317,778	300,815	6
Risk weighted assets ($M)	**146,511**	134,937	9	n/a	n/a	n/a
90+ days home loan arrears (%) (6)	**0. 71**	0. 61	10 bpts	n/a	n/a	n/a
90+ days consumer finance arrears (%) (6)	**1. 25**	1. 22	3 bpts	n/a	n/a	n/a
Number of full-time equivalent staff (FTE)	**11,759**	11,865	(1)	n/a	n/a	n/a

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) Home loans are presented gross of $32,075 million of mortgage offset balances (31 December 2017: $31,412 million; 30 June 2017: $29,041 million). These balances are required to be grossed up under accounting standards but are netted down for the calculation of customer interest payments.
(3) Consumer finance includes personal loans and credit cards.
(4) Transaction and Savings deposits includes $32,075 million of mortgage offset balances (31 December 2017: $31,412 million; 30 June 2017: $29,041 million).
(5) Average interest earning assets are presented net of mortgage offset balances, which reduce customer interest payments. Net average interest earning assets are also used in the calculation of divisional net interest margin.
(6) Arrears rates represents total CBA domestic home loans and consumer finance balances (excluding Bankwest).
(7) Excludes AHL and eChoice, but includes equity accounted profits earned before the Bank gained control and consolidated AHL.

Retail Banking Services

Financial Performance and Business Review

Year Ended June 2018 versus Restated June 2017

Retail Banking Services Net profit after tax ("statutory basis") for the full year ended 30 June 2018 was $5,193 million, an increase of $260 million or 5% on the prior year. The result was driven by 4% growth in total banking income, 2% growth in operating expenses and 2% growth in loan impairment expense.

On 25 August 2017, the Bank acquired the remaining 20% share in AHL (trading as Aussie Home Loans), bringing its shareholding to 100%. On 23 February 2018, the Bank also acquired the assets of eChoice. As a result the Bank now controls and consolidates AHL and the operations of eChoice. In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of these acquisitions.

Net Interest Income

Net interest income was $9,786 million, an increase of $578 million or 6% on the prior year. This was driven by a 3% increase in net interest margin and 4% growth in average interest earning assets.

Net interest margin increased 8 basis points, reflecting:

- Higher home lending margin from repricing of interest only and investor loans in order to manage regulatory requirements, partly offset by unfavourable home loan portfolio mix with a shift to lower margin fixed rate loans, and more customers switching from interest only loans to lower margin principal and interest repayments, and increased competition (up 11 basis points); and
- Higher deposit margin from an increase in transaction deposit mix, from 22% to 24% of total deposits, and repricing (up 5 basis points); partly offset by
- The impact of the Major Bank Levy (down 5 basis points); and
- Unfavourable portfolio mix, as home loans continue to grow ahead of other higher margin products (down 3 basis points).

Other Banking Income

Other banking income was $1,861 million, a decrease of $136 million or 7% on the prior year, reflecting:

- Lower consumer finance income primarily driven by the reduction in average interchange rates due to regulatory changes, partly offset by lower loyalty costs from changes to the rewards program, and higher credit card purchases as consumers continue to shift from using cash to cards;
- Lower deposit fee income driven by the reduction in average interchange rates due to regulatory changes, and the removal of ATM withdrawal fees, partly offset by higher debit card purchases as consumers continue to shift from cash to cards; and
- Lower distribution income resulting from lower equity accounting profits following the consolidation of AHL.

Operating Expenses

Operating expenses were $3,548 million, an increase of $75 million or 2% on the prior year. The key drivers were higher staff costs driven by salary increases, increased volume-related expenses, higher regulatory and compliance costs, and ongoing investment in technology and digital capabilities.

The number of full-time equivalent employees ("FTE") decreased by 106 or 1% on the prior year, from 11,865 to 11,759 FTE.

Investment spend continued to focus on customer centric initiatives through improvements to the Home Buying experience, enhancements within digital channels and digitisation of manual processes as well as Risk and Compliance projects. This included transforming proprietary distribution, automating customer data certification, and improving pricing propositions to optimise customer outcomes.

Retail Banking Services strengthened its technology position with the release of further innovative digital experiences for customers, including a new artificially intelligent chatbot (Ceba) for personalised conversations, as well as real-time alerts in the CommBank app to give customers even more tools to help manage their spending and avoid fees and charges.

The statutory operating expense to total banking income ratio was 30.5%, an improvement of 50 basis points on the prior year, driven by higher total banking income.

Loan Impairment Expense

Loan impairment expense was $716 million, an increase of $14 million or 2% on the prior year, driven by increased home loan and personal loan collective provisions to reflect actual loss experience, and a management overlay in anticipation of possible changes to bankruptcy legislation, partly offset by lower home loan impairments in mining towns in Western Australia and Queensland.

Loan impairment expense as a percentage of average GLAAs was flat on the prior year at 20 basis points.

Home loan arrears increased by 10 basis points from 0.61% to 0.71%, reflecting reduced portfolio growth and some households experiencing difficulties with rising essential costs and limited income growth, leading to some pockets of stress.

Consumer finance arrears increased by 3 basis points from 1.22% to 1.25%, predominantly driven by increases in Western Sydney.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $12.6 billion or 4%, below system [(1)] growth of 6%, reflecting a relatively conservative approach in order to manage regulatory requirements on investor and interest only home lending, and increased competition, particularly from non-banks. Solid performance in the proprietary channel led to an increase in the proprietary flows mix from 59% to 63%;
- Total deposit growth of $8.7 billion or 3% (interest and non-interest bearing), below system growth, mainly driven by the maturity of term deposits following a campaign in the prior year. Total transaction deposits increased 14% from growth in existing customers' balances in personal and business transaction accounts and growth in mortgage offset accounts, partly offset by lower savings balances (down 2%) driven by customer preference for higher yield term deposits; and
- Consumer finance balance decrease of $0.1 billion or 1%, which was ahead of system growth.

(1) System source: RBA/APRA.

Retail Banking Services

Risk Weighted Assets

Risk weighted assets were $146.5 billion, an increase of $11.6 billion or 9% on the prior year. The key drivers were:

- Credit risk weighted assets increased $2.2 billion or 2% driven by higher home lending volume growth;
- Operational risk weighted assets increased $7.0 billion or 67% driven by the requirement to increase operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential Inquiry (see "Description of Business Environment – Legal Proceedings" for more information on the Prudential Inquiry); and
- Market risk weighted assets increased $2.3 billion or 41% due to interest rate risk in the banking book.

As reported June 2017 versus June 2016

Retail Banking Services Net profit after tax ("statutory basis") for the full year ended 30 June 2017 was $4,964 million, an increase of $424 million or 9% on the prior year. The result was driven by strong growth in total banking income, partly offset by higher expenses and increased loan impairment expense. As at June 2017, the Retail bank ranked number one in customer satisfaction amongst its peers [(1)].

Net Interest Income

Net interest income was $9,225 million, an increase of 6% on the prior year. This reflected balance growth in home lending and deposits, and stable net interest margin.

Balance Sheet growth included:

- Home loan growth of 7%; and
- Total deposit balance growth of 6%, resulting from strong growth in transaction and investment accounts; partly offset by
- Consumer finance balance decrease of 1% broadly in line with system [(2)].

Net interest margin was stable, reflecting:

- Strong competition in home loans and investment deposits;
- Higher funding costs; and
- Unfavourable portfolio mix; offset by
- Pricing changes in home loans and deposits.

(1) Roy Morgan Research. Retail Main Financial Institution (MFI) Customer Satisfaction, Australians 14+, % "Very Satisfied" or "Fairly Satisfied" with relationship with that MFI. Six month rolling average to June 2017. Rank based on the major four Australian banks.

(2) System source: RBA/APRA.

Other Banking Income

Other banking income was $2,000 million, an increase of 11% on the prior year, reflecting:

- Higher consumer finance income, driven by higher purchases, lower loyalty costs, and increased foreign exchange income;
- An increase in deposit fee income from higher transaction volumes; and
- Higher distribution income resulting from increased foreign exchange transactions.

Operating Expenses

Operating expenses were $3,452 million, an increase of 2% on the prior year. The key drivers were higher staff costs, increased volume-related expenses and ongoing investment in technology and digital capabilities, partly offset by the benefit of productivity savings.

The operating expense to total banking income ratio was 30.8%, a decrease of 130 basis points on the prior year.

Loan Impairment Expense

Loan impairment expense was $699 million, an increase of 5% on the prior year. The increase was driven by higher arrears and losses for home loans and consumer finance, predominantly in Western Australia and Queensland.

Business and Private Banking

Overview

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

	Full Year Ended					
		Restated [1][2]		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
	$M	$M	Jun 17 %	$M	$M	Jun 16 %
Net interest income	**3,392**	3,246	4	3,044	3,001	1
Other banking income	**1,033**	976	6	925	839	10
Total banking income	**4,425**	4,222	5	3,969	3,840	3
Operating expenses	**(1,596)**	(1,574)	1	(1,551)	(1,488)	4
Loan impairment expense	**(129)**	(62)	large	(74)	(176)	(58)
Net profit before tax	**2,700**	2,586	4	2,344	2,176	8
Corporate tax expense	**(812)**	(778)	4	(705)	(654)	8
Net profit after tax ("cash basis")	**1,888**	1,808	4	1,639	1,522	8
Net profit after tax ("statutory basis") [3]	**1,888**	1,808	4	1,639	1,522	8
Income analysis:						
Net interest income						
Corporate Financial Services	**1,232**	1,220	1	1,093	1,107	(1)
Business Banking SME	**1,001**	948	6	912	899	1
Regional and Agribusiness	**605**	579	4	562	544	3
Private Bank	**356**	308	16	317	303	5
CommSec	**198**	191	4	160	148	8
Total net interest income	**3,392**	3,246	4	3,044	3,001	1
Other banking income						
Corporate Financial Services	**415**	394	5	368	305	21
Business Banking SME	**182**	175	4	182	172	6
Regional and Agribusiness	**107**	104	3	100	91	10
Private Bank	**66**	62	6	67	61	10
CommSec	**263**	241	9	208	210	(1)
Total other banking income	**1,033**	976	6	925	839	10
Total banking income	**4,425**	4,222	5	3,969	3,840	3
Income by product:						
Business Products	**2,613**	2,533	3	2,329	2,243	4
Retail Products	**1,289**	1,162	11	1,143	1,061	8
Equities and Margin Lending	**350**	333	5	308	329	(6)
Markets	**121**	135	(10)	131	138	(5)
Other	**52**	59	(12)	58	69	(16)
Total banking income	**4,425**	4,222	5	3,969	3,840	3

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) Includes Bankwest east coast business banking customers now being managed by the Business and Private Banking division.
(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

Business and Private Banking

	As at					
		Restated (1)		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
Balance Sheet	**$M**	$M	Jun 17 %	$M	$M	Jun 16 %
Home loans (2)	**34,712**	34,663	-	33,686	31,987	5
Consumer finance	**1,093**	1,033	6	603	630	(4)
Business loans (3)	**78,557**	77,039	2	69,356	65,446	6
Margin loans	**2,750**	2,840	(3)	2,556	2,697	(5)
Total interest earning assets	**117,112**	115,575	1	106,201	100,760	5
Non-lending interest earning assets	**315**	286	10	286	238	20
Other assets (4)	**358**	433	(17)	485	454	7
Total assets	**117,785**	116,294	1	106,972	101,452	5
Transaction deposits (3) (5)	**17,101**	14,921	15	14,535	12,024	21
Savings deposits (5)	**34,582**	33,909	2	33,504	30,812	9
Investment deposits and other	**28,159**	27,211	3	27,000	25,773	5
Total interest bearing deposits	**79,842**	76,041	5	75,039	68,609	9
Non-interest bearing transaction deposits	**9,098**	7,997	14	7,592	6,738	13
Other non-interest bearing liabilities	**805**	887	(9)	868	834	4
Total liabilities	**89,745**	84,925	6	83,499	76,181	10

	Full Year Ended					
		Restated (1)		As reported		
			Jun 18 vs			Jun 17 vs
Key Financial Metrics	**30 Jun 18**	30 Jun 17	Jun 17 %	30 Jun 17	30 Jun 16	Jun 16 %
Performance indicators						
Net interest margin (%)	**3. 05**	2. 98	7 bpts	n/a	n/a	n/a
Return on assets (%)	**1. 6**	1. 6	-	1. 5	1. 5	-
Statutory operating expenses to total banking income (%)	**36. 1**	37. 3	(120)bpts	39. 1	38. 8	30 bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 11**	0. 05	6 bpts	0. 07	0. 18	(11)bpts
Other information						
Average interest earning assets ($M) (6)	**111,136**	109,091	2	100,008	94,187	6
Risk weighted assets ($M)	**96,329**	87,654	10	n/a	n/a	n/a
Troublesome and impaired assets ($M)	**2,855**	2,586	10	n/a	n/a	n/a
Number of full-time equivalent staff (FTE)	**3,575**	3,677	(3)	n/a	n/a	n/a

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details. Includes Bankwest business banking customers now being managed by Business and Private Banking.

(2) Home loans are presented gross of $4,285 million of mortgage offset balances (31 December 2017: $4,418 million; 30 June 2017: $3,732 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.

(3) Business loans include $275 million of Cash Management Pooling Facilities ("CMPF") (31 December 2017: $287 million; 30 June 2017: $260 million). Transaction Deposits include $1,154 million of CMPF liabilities (31 December 2017: $913 million; 30 June 2017: $874 million). These balances are required to be grossed up under accounting standards, but are netted for the calculation of customer interest and risk weighted assets.

(4) Other assets include Intangible assets.

(5) Transaction and Savings deposits includes $4,285 million of mortgage offset balances (31 December 2017: $4,418 million; 30 June 2017: $3,732 million).

(6) Average interest earning assets are presented net of mortgage offset balances, which reduce customer interest payments. Net average interest earning assets are also used in the calculation of divisional net interest margin.

Business and Private Banking

Financial Performance and Business Review

Year Ended June 2018 versus Restated June 2017

Business and Private Banking Net profit after tax ("statutory basis") for the full year ended 30 June 2018 was $1,888 million, an increase of $80 million or 4% on the prior year. The result was driven by 5% growth in total banking income, 1% growth in operating expenses and a $67 million increase in loan impairment expense.

Net Interest Income

Net interest income was $3,392 million, an increase of $146 million or 4% on the prior year. This increase was driven by a 2% increase in net interest margin and 2% growth in average interest earning assets.

Net interest margin increased 7 basis points reflecting:

- Favourable portfolio mix from strong growth in transaction deposit volumes (up 7 basis points); and
- Higher home loan margin from repricing of interest only and investor loans in order to manage regulatory requirements (up 6 basis points); partly offset by
- Lower business lending margins due to run-off of higher margin residential property development lending (down 1 basis point); and
- The impact of the Major Bank Levy (down 5 basis points).

Other Banking Income

Other banking income was $1,033 million, an increase of $57 million or 6% on the prior year, driven by:

- Higher business loan fee income reflecting volume growth and a shift to fee based products such as cash advance facilities;
- Higher merchant income driven by higher margins due to customers migrating onto new pricing structures and the reduction in interchange rates driven by regulatory changes; and
- Higher brokerage income driven by a 15% increase in average daily contract volumes; partly offset by
- Lower income from the sale of interest rate risk management products, reflecting the benign domestic interest rate environment.

Operating Expenses

Operating expenses were $1,596 million, an increase of $22 million or 1% on the prior year. This was mainly driven by higher spend on product development initiatives such as 'Daily IQ', an increase in Albert merchant terminal costs, remediation expenses, and higher staff and IT expenses. This was partly offset by the benefit of productivity savings including centralisation of middle office functions, and consolidation of the workforce following the Bankwest business banking integration.

The number of full-time equivalent employees ("FTE") decreased by 102 or 3% on the prior year from 3,677 to 3,575 FTE, driven by fewer middle office FTE and the consolidation of the workforce following the Bankwest business banking integration, partly offset by an increase in risk and compliance staff.

Investment continues to focus on further enhancing customer experience by improving the digital business loan application process and self-service capabilities, as well as regulatory and compliance initiatives.

The statutory operating expense to total banking income ratio was 36.1%, an improvement of 120 basis points on the prior year, driven by higher total banking income.

Loan Impairment Expense

Loan impairment expense was $129 million, an increase of $67 million on the prior year. This was driven by a higher level of collective provisions mainly due to increased provisioning within segments exposed to discretionary consumer spending, partly offset by lower levels of individual provisions.

Loan impairment expense as a percentage of average GLAAs increased 6 basis points on the prior year to 11 basis points, remaining well below long run average levels.

Asset quality declined slightly reflecting a reduction in quality in the diversified portfolio, partly offset by an improvement in the commercial property portfolio.

Balance Sheet

Key spot balance sheet movements included:

- Total deposit growth of $4.9 billion or 6% (interest and non-interest bearing), above system [(1)] growth of 3%, driven by growth in Business Transaction Accounts and interest-bearing cash accounts reflecting higher balances with existing customers;
- Home loan growth was flat, below system [(1)] growth of 6%, reflecting flat investor home loan growth driven by a revised lending approach designed to manage regulatory requirements on investor home lending, a 14% decrease in lines of credit, and 5% growth in owner occupied loans; and
- Business loan growth of $1.5 billion or 2%, below system [(1)] growth of 3%, due to a decline in residential property development following the completion of projects and a continued focus on margin and risk appetite. Business loan growth was achieved across various industries, including property investment, agribusiness, hospitality and health.

Risk Weighted Assets

Risk weighted assets were $96.3 billion, an increase of $8.7 billion or 10% on the prior year. Key drivers were:

- Credit risk weighted assets increased $2.0 billion or 3% driven by higher lending balances and a refinement of the calculation methodology;
- Operational risk weighted assets increased $4.4 billion or 56% driven by the requirement to increase operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential Inquiry; and
- Market risk weighted assets increased $2.0 billion or 64% driven by IRRBB $1.3 billion and traded market risk $0.7 billion.

(1) System source: RBA/APRA.

Business and Private Banking

As reported June 2017 versus June 2016

Business and Private Banking Net profit after tax ("statutory basis") for the full year ended 30 June 2017 was $1,639 million, an increase of 8% on the prior year. The result was driven by growth in total banking income and lower loan impairment expense, partly offset by higher expenses.

Net Interest Income

Net interest income was $3,044 million, an increase of 1% on the prior year. This was driven by strong balance growth, partly offset by lower net interest margins.

Balance Sheet growth included:

- Deposit growth of 10%, reflecting strong demand for transaction and saving deposits;
- Business lending growth of 6%, with growth diversified across target industries; and
- Home loan growth of 5%, driven by growth in owner occupied loans.

Net interest margin decreased, reflecting lower business lending margins due to competitive pricing pressure and a mix shift towards products with a higher relative proportion of fee income.

Other Banking Income

Other banking income was $925 million, an increase of 10% on the prior year, reflecting:

- Higher business lending fee income; partly offset by
- Lower income from the sale of foreign exchange risk management products.

Operating Expenses

Operating expenses were $1,551 million, an increase of 4% on the prior year, reflecting investment in frontline staff and product development initiatives.

Loan Impairment Expense

Loan impairment expense was $74 million, a decrease of $102 million on the prior year. The decrease was driven by lower individual and collective provisions, partly offset by a lower level of write-backs.

Loan impairment expense as a percentage of average GLAAs decreased by 11 basis points to 7 basis points.

Institutional Banking and Markets

Overview

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

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %
Net interest income	**1,444**	1,523	(5)	1,507	1,617	(7)
Other banking income	**1,229**	1,348	(9)	1,347	1,276	6
Total banking income	**2,673**	2,871	(7)	2,854	2,893	(1)
Operating expenses	**(1,142)**	(1,083)	5	(1,072)	(1,082)	(1)
Loan impairment (expense)/benefit	**(80)**	(64)	25	(64)	(252)	(75)
Net profit before tax	**1,451**	1,724	(16)	1,718	1,559	10
Corporate tax expense	**(330)**	(413)	(20)	(412)	(369)	12
Net profit after tax ("cash basis")	**1,121**	1,311	(14)	1,306	1,190	10
Net profit after tax ("statutory basis") (2)	**1,121**	1,311	(14)	1,306	1,190	10
Income analysis						
Net interest income						
Institutional Banking	**1,341**	1,394	(4)	1,384	1,441	(4)
Markets	**103**	129	(20)	123	176	(30)
Total net interest income	**1,444**	1,523	(5)	1,507	1,617	(7)
Other banking income						
Institutional Banking	**742**	749	(1)	745	747	-
Markets	**487**	599	(19)	602	529	14
Total other banking income	**1,229**	1,348	(9)	1,347	1,276	6
Total banking income	**2,673**	2,871	(7)	2,854	2,893	(1)
Income by product						
Institutional products	**1,822**	1,846	(1)	1,770	1,836	(4)
Asset leasing	**240**	280	(14)	284	287	(1)
Markets (excluding derivative valuation adjustments)	**588**	723	(19)	720	776	(7)
Other	**21**	17	24	75	65	15
Total banking income excluding derivative valuation adjustments	**2,671**	2,866	(7)	2,849	2,964	(4)
Derivative valuation adjustments (3)	**2**	5	(60)	5	(71)	large
Total banking income	**2,673**	2,871	(7)	2,854	2,893	(1)

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

(3) Derivative valuation adjustments include both net interest income and other banking income adjustments.

Institutional Banking and Markets

	As at					
		Restated (1)		As reported		
	30 Jun 18	30-Jun-17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
Balance Sheet	**$M**	$M	Jun 17 %	$M	$M	Jun 16 %
Interest earning lending assets (2)	**104,601**	111,686	(6)	111,809	112,432	(1)
Non-lending interest earning assets	**27,757**	31,349	(11)	31,349	27,594	14
Other assets (3)	**30,358**	30,076	1	30,076	41,226	(27)
Total assets	**162,716**	173,111	(6)	173,234	181,252	(4)
Transaction deposits (2)	**45,235**	42,468	7	42,293	41,382	2
Savings deposit	**6,627**	7,381	(10)	7,371	6,350	16
Investment deposits	**44,647**	49,689	(10)	49,639	39,371	26
Certificates of deposit and other	**12,776**	15,077	(15)	15,070	14,435	4
Total interest bearing deposits	**109,285**	114,615	(5)	114,373	101,538	13
Due to other financial institutions	**12,719**	16,669	(24)	16,669	15,610	7
Debt issues and other (4)	**9,382**	9,358	-	9,358	9,064	3
Non-interest bearing liabilities (3)	**22,509**	21,470	5	21,407	28,307	(24)
Total liabilities	**153,895**	162,112	(5)	161,807	154,519	5

	Full Year Ended					
		Restated (1)		As reported		
			Jun 18 vs			Jun 17 vs
Key Financial Metrics	**30 Jun 18**	30 Jun 17	Jun 17 %	30 Jun 17	30 Jun 16	Jun 16 %
Performance indicators						
Net interest margin (%)	**1. 04**	1. 10	(6)bpts	n/a	n/a	n/a
Return on assets (%)	**0. 7**	0. 7	-	0. 7	0. 7	-
Statutory operating expenses to total banking income (%)	**42. 7**	37. 7	large	37. 6	37. 4	20 bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 08**	0. 06	2 bpts	0. 06	0. 23	(17)bpts
Other information						
Average interest earning assets ($M)	**139,050**	138,613	-	138,788	136,845	1
Risk weighted assets ($M)	**96,190**	102,242	(6)	n/a	n/a	n/a
Troublesome and impaired assets ($M)	**1,406**	1,361	3	n/a	n/a	n/a
Corporate total committed exposures rated investment grade (%)	**86. 7**	86. 4	30 bpts	n/a	n/a	n/a
Number of full-time equivalent staff (FTE) (5)	**1,566**	1,467	7	n/a	n/a	n/a

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

(2) Interest earning lending assets include $21,990 million of Cash Management Pooling Facilities ("CMPF") (31 December 2017: $22,849 million; 30 June 2017: $21,302 million). Transaction Deposits include $27,331 million of CMPF liabilities (31 December 2017: $28,778 million; 30 June 2017: $26,860 million). These balances are required to be grossed up under accounting standards, but are netted for the calculation of customer interest and risk weighted assets.

(3) Other assets include Intangible assets and Derivative assets. Non-interest bearing liabilities include Derivative liabilities.

(4) Debt issues and other includes Bank acceptances and Liabilities at fair value.

(5) FTE includes employees responsible for the manufacture of business and institutional banking products and payments infrastructure. The costs for these FTE are split between the IB&M, BPB and RBS segments.

Institutional Banking and Markets

Financial Performance and Business Review

Year Ended June 2018 versus Restated June 2017

Institutional Banking and Markets Net profit after tax ("statutory basis") for the full year ended 30 June 2018 was $1,121 million, a decrease of $190 million or 14% on the prior year. The result was driven by a 7% decline in total banking income, a 5% increase in operating expenses and a 25% increase in loan impairment expense.

Net Interest Income

Net interest income was $1,444 million, a decrease of $79 million or 5% on the prior year. The result was driven by a 5% decrease in net interest margin, and a marginal increase in average interest earning assets.

Net interest margin decreased 6 basis points, reflecting:

- Lower earnings on free equity, mainly due to a reduction in average risk weighted assets (down 6 basis points); and
- The impact of the Major Bank Levy (down 5 basis points); partly offset by
- Favourable portfolio mix from higher transaction deposit balances (up 3 basis points); and
- Higher lending and leasing margins driven by portfolio optimisation initiatives (up 2 basis point).

Other Banking Income

Other banking income was $1,229 million, a decrease of $119 million or 9% on the prior year, driven by:

- Weaker Markets trading performance mainly driven by the impact of widening spreads on the inventory of high grade corporate and government bonds; and
- Lower gains on the sale of assets in the Structured Asset Finance portfolio.

Operating Expenses

Operating expenses were $1,142 million, an increase of $59 million or 5% on the prior year. The increase was driven by a $51 million impairment of capitalised software relating to a decision to implement a new institutional lending platform, and higher regulatory, risk and compliance costs.

The operating expense to total banking income ratio was 42.7%, an increase of 500 basis points on the prior year, primarily due to lower Markets revenue, the introduction of the Major Bank Levy and the impairment of capitalised software.

The number of full-time equivalent employees ("FTE") increased by 99 or 7% on the prior year, from 1,467 to 1,566 FTE. The growth was primarily due to increase in project-related FTE, and risk and compliance staff.

Investment is focused on further strengthening of the operational risk and compliance framework, improving customer experience through the New Payments Platform, as well as responding to new regulatory requirements.

Loan Impairment Expense

Loan impairment expense was $80 million, an increase of $16 million or 25% on the prior year. The increase was driven by higher individual provisions due to a large single name exposure, partly offset by a higher level of write-backs in the mining and wholesale trade portfolios.

Loan impairment expense as a percentage of average GLAAs increased 2 basis points to 8 basis points, remaining well below long run average levels. Asset quality of the portfolio has remained stable, and the percentage of the book rated as investment grade increased by 30 basis points to 86.7%.

Balance Sheet

Key spot balance sheet movements included:

- Lending balances decreased $7.1 billion or 6%, driven by portfolio optimisation initiatives;
- Transaction deposits growth of $2.8 billion or 7%, driven by a combination of new to bank client mandates and continued deepening of existing client relationships;
- Investment deposits decreased $5.0 billion or 10%, driven by increased competition from domestic and foreign banks; and
- Certificates of deposits and other decreased $2.3 billion or 15% due to a lower funding requirement from the decrease in non-lending interest earning assets.

Risk Weighted Assets

Risk weighted assets were $96.2 billion, a decrease of $6.1 billion or 6% on the prior year. Key drivers were:

- Credit risk weighted assets decreased $12.7 billion or 14% driven by portfolio optimisation initiatives which reduced volumes ($10.3 billion) and improved credit quality ($3.1 billion), partly offset by the impact from foreign exchange ($0.7 billion);
- Market risk weighted assets increased $3.9 billion or 83% mainly driven by the conservative treatment of some interest rate exposures, under the internal model approach; and
- Operational risk weighted assets increased $2.7 billion or 32% driven by the requirement to increase Operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential Inquiry (see "Description of Business Environment – Legal Proceedings" for more information on the Prudential Inquiry).

Institutional Banking and Markets

As reported June 2017 versus June 2016

Institutional Banking and Markets Net profit after tax ("statutory basis") for the full year ended 30 June 2017 was $1,306 million, an increase of 10% on the prior year. The result was driven by strong growth in deposit volumes, active management of the lending portfolio, lower losses from derivative valuation adjustments, and lower loan impairment expense.

Net Interest Income

Net interest income was $1,507 million, a decrease of 7% on the prior year. This was driven by lower lending margins, partly offset by strong growth in average deposit volumes.

Average balance growth included:

- Flat average lending balances; and
- 22% growth in average transaction deposit volumes excluding pooling facilities, and 22% growth in average investment deposit volumes.

Net interest margin decreased, reflecting:

- Lower lending margins driven by competition; partly offset by
- Favourable portfolio mix from higher deposit balances.

Other Banking Income

Other banking income was $1,347 million, an increase of 6% on the prior year, reflecting:

- Favourable derivative valuation adjustments of $5 million, compared to a $71 million unfavourable adjustment in the prior year; partly offset by
- Lower lending fee income due to competitive pressures;
- Weaker Markets sales performance due to lower volatility in the second half; and
- Timing of realised gains and losses on sale of assets.

Operating Expenses

Operating expenses were $1,072 million, a decrease of 1% on the prior year, driven by ongoing realisation of productivity benefits, partly offset by higher risk and compliance costs.

Loan Impairment Expense

Loan impairment expense was $64 million, a decrease of $188 million on the prior year. The decrease was driven by lower collective provisions and fewer large individual provisions.

Loan impairment expense as a percentage of average GLAAs decreased by 17 basis points to 6 basis points.

Corporate Tax Expense

The corporate tax expense was $412 million. The effective tax rate of 24.0% was largely in line with the prior year.

Wealth Management

Overview

Wealth Management provides superannuation, investment, retirement and insurance products and services including financial planning which help to improve the financial wellbeing of more than 2.1 million customers. In addition, as a global asset management business, we manage investments on behalf of institutional investors and pension funds, wholesale distributors and platforms, financial advisers and their clients.

On 21 September 2017 CBA announced the sale of CommInsure Life [(2)] to AIA. The Wealth Management results have been prepared on a continuing operations basis excluding the financial results of the Life business (discontinued operations). The financial results of the Life businesses are excluded from the account lines of Wealth Management's performance and reported as a single cash net profit after tax line item.

On 25 June 2018 CBA announced its intention to demerge its wealth management and mortgage broking businesses, and will undertake a strategic review of its general insurance business, including a potential sale. The demerged business, ("NewCo"), is expected to include Colonial First State, Colonial First State Global Asset Management ("CFSGAM"), Count Financial, Financial Wisdom and AHL. NewCo is included in continuing operations. The implementation of the demerger is subject to final CBA board, shareholder and regulatory approvals under a scheme of arrangement.

	Full Year Ended					
		Restated [(1)]		As reported		
	30 Jun 18	30-Jun-17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
	$M	$M	Jun 17 %	$M	$M	Jun 16 %
Funds management income	**1,978**	1,820	9	1,894	1,891	-
Insurance income	**183**	121	51	438	502	(13)
Total operating income	**2,161**	1,941	11	2,332	2,393	(3)
Operating expenses	**(1,440)**	(1,403)	3	(1,653)	(1,681)	(2)
Net profit before tax	**721**	538	34	679	712	(5)
Corporate tax expense	**(179)**	(134)	34	(176)	(183)	(4)
Underlying profit after tax	**542**	404	34	503	529	(5)
Investment experience after tax	**21**	18	17	54	83	(35)
Non-controlling interests	**-**	-	-	(4)	-	large
Cash net profit after tax from continuing operations	**563**	422	33	553	612	(10)
Cash net profit after tax from discontinued operations [(2)]	**160**	130	23	-	-	-
Net profit after tax ("cash basis")	**723**	552	31	553	612	(10)
Other non-cash items	**2**	(23)	large	(23)	4	large
Net profit after tax ("statutory basis") [(3)]	**725**	529	37	530	616	(14)
Represented by:						
CFS Global Asset Management	**292**	279	5	229	224	2
Colonial First State [(4)]	**271**	188	44	191	230	(17)
CommInsure [(5)]	**102**	62	65	202	274	(26)
Life Insurance Business (discontinued operations)	**160**	130	23	-	-	-
Other	**(100)**	(130)	(23)	(92)	(112)	(18)
Net profit after tax ("statutory basis") [(3)]	**725**	529	37	530	616	(14)

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) CommInsure's life business (the "Life business") represents life insurance and life related investments business which are discontinued operations.
(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.
(4) Colonial First State incorporates the results of all Wealth Management Financial Planning businesses.
(5) CommInsure represents the General Insurance business.

Wealth Management

Key Financial Metrics (continuing operations)		Full Year Ended				
		Restated (1)		As reported		
			Jun 18 vs			Jun 17 vs
	30 Jun 18	30 Jun 17	Jun 17 %	30 Jun 17	30 Jun 16	Jun 16 %
Performance indicators						
Statutory operating expenses to net operating income (%)	**66. 6**	72. 3	large	67. 9	65. 9	200 bpts
Other information						
AUM - average ($M) (2)	**215,768**	205,910	5	205,910	197,569	4
AUM- spot ($M) (2)	**213,242**	219,427	(3)	219,427	199,735	10
FUA - average ($M) (3)	**141,726**	129,152	10	141,005	134,233	5
FUA - spot ($M) (3)	**147,999**	135,447	9	146,778	135,801	8
CommInsure Inforce Premiums - average ($M) (4)	**799**	762	5	2,465	2,474	-
CommInsure Inforce Premiums - spot ($M) (4)	**797**	783	2	2,352	2,508	(6)
Risk weighted assets ($M) (5)	**4,234**	449	large	n/a	n/a	n/a
Number of full-time equivalent staff (FTE) (6)	**3,407**	3,914	(13)	n/a	n/a	n/a

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) AUM excludes the Bank's interest in the First State Cinda Fund Management Company Limited.
(3) FUA excludes the Life business (discontinued operations).
(4) Represents the CommInsure General Insurance business. The Inforce Premiums are annualised equivalents.
(5) Risk Weighted Assets include CommInsure Life Business (discontinued operations).
(6) FTEs exclude the Life business (discontinued operations).

Wealth Management

	Full Year Ended											
	CFS Global Asset Management						Colonial First State (1)					
	Restated (2)			As reported			Restated (2)			As reported		
	Jun 18 $M	Jun 17 $M	Jun 18 vs Jun 17 %	Jun 17 $M	Jun 16 $M	Jun 17 vs Jun 16 %	Jun 18 $M	Jun 17 $M	Jun 18 vs Jun 17 %	Jun 17 $M	Jun 16 $M	Jun 17 vs Jun 16 %
Funds management income	**975**	887	10	837	842	(1)	**1,003**	933	8	928	929	-
Insurance income	**-**	-	-	-	-	-	**-**	-	-	-	-	-
Total operating income	**975**	887	10	837	842	(1)	**1,003**	933	8	928	929	-
Operating expenses	**(622)**	(512)	21	(521)	(572)	(9)	**(624)**	(675)	(8)	(668)	(609)	10
Net profit before tax	**353**	375	(6)	316	270	17	**379**	258	47	260	320	(19)
Corporate tax (expense)/benefit	**(68)**	(97)	(30)	(81)	(49)	65	**(114)**	(78)	46	(78)	(99)	(21)
Underlying profit after tax	**285**	278	3	235	221	6	**265**	180	47	182	221	(18)
Investment experience after tax	**7**	1	large	(6)	3	large	**6**	8	(25)	9	9	-
Net profit/(loss) after tax from continuing operations ("cash basis")	**292**	279	5	229	224	2	**271**	188	44	191	230	(17)
Treasury shares valuation adjustment (after tax)	**-**	-	-	-	-	-	**-**	-	-	-	-	-
Net profit/(loss) after tax from continuing operations ("statutory basis") (3)	**292**	279	5	229	224	2	**271**	188	44	191	230	(17)

	Full Year Ended											
	CommInsure (4)						Other					
	Restated (2)			As reported			Restated (2)			As reported		
	Jun 18 $M	Jun 17 $M	Jun 18 vs Jun 17 %	Jun 17 $M	Jun 16 $M	Jun 17 vs Jun 16 %	Jun 18 $M	Jun 17 $M	Jun 18 vs Jun 17 %	Jun 17 $M	Jun 16 $M	Jun 17 vs Jun 16 %
Funds management income	**-**	-	-	121	120	1	**-**	-	-	8	-	large
Insurance income	**183**	121	51	438	502	(13)	**-**	-	-	-	-	-
Total operating income	**183**	121	51	559	622	(10)	**-**	-	-	8	-	large
Operating expenses	**(44)**	(42)	5	(323)	(339)	(5)	**(150)**	(174)	(14)	(141)	(161)	(12)
Net profit before tax	**139**	79	76	236	283	(17)	**(150)**	(174)	(14)	(133)	(161)	(17)
Corporate tax (expense)/benefit	**(42)**	(23)	83	(71)	(80)	(11)	**45**	64	(30)	54	45	20
Underlying profit after tax	**97**	56	73	165	203	(19)	**(105)**	(110)	(5)	(79)	(116)	(32)
Investment experience after tax	**5**	6	(17)	41	71	(42)	**3**	3	-	10	-	large
Non-controlling interests (5)	**-**	-	-	(4)	-	large	**-**	-	-	-	-	-
Net profit/(loss) after tax from continuing operations ("cash basis")	**102**	62	65	202	274	(26)	**(102)**	(107)	(5)	(69)	(116)	(41)
Treasury shares valuation adjustment (after tax)	**-**	-	-	-	-	-	**2**	-	large	(23)	4	large
Net profit/(loss) after tax from continuing operations ("statutory basis") (3)	**102**	62	65	202	274	(26)	**(100)**	(107)	(7)	(92)	(112)	(18)

(1) Colonial First State incorporates the results of all Wealth Management financial planning businesses.
(2) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.
(4) Represents the CommInsure General Insurance business.
(5) Relates to net profit attributable to non-controlling interests in a partly held infrastructure business.

Wealth Management

Financial Performance and Business Review

Year Ended June 2018 versus Restated June 2017

Wealth Management Net profit after tax ("statutory basis") for the full year ended 30 June 2018 was $725 million, an increase of $196 million or 37% on the prior year. Excluding the contribution from the CommInsure Life Business (discontinued operations), Net profit after tax ("statutory basis") was $563 million, an increase of $141 million or 33% on the prior year. The result was driven by 9% growth in funds management income, 51% growth in insurance and 3% higher operating expenses.

On 21 September 2017 CBA announced the sale of the CommInsure Life Business to AIA. In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of the CommInsure Life Business.

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

Funds Management Income

Funds management income was $1,978 million, an increase of $158 million or 9% on the prior year.

Average Assets Under Management ("AUM") was $216 billion an increase of $10 billion or 5% on the prior year reflecting higher investment markets and the benefit of the lower Australian dollar, partly offset by higher net outflows in the global equities and fixed income businesses. AUM margins increased 2 basis points reflecting the receipt of higher performance fees in the current year. Excluding the benefit of performance fees, underlying AUM margins declined 1 basis point due to a change in business mix reflecting net outflows in the higher margin global equities business.

Average Funds Under Administration ("FUA") was $142 billion an increase of $13 billion or 10% on the prior year. The FirstChoice and CFSWrap platforms experienced continued growth in average FUA of 9% and 16% respectively, reflecting positive net flows and higher investment markets. Underlying CFS FUA margins declined 2 basis points due to a change in business mix reflecting continued growth in the lower margin CFSWrap platform. The underlying margin excludes the benefit from a $38 million reduction in Advice customer remediation provisions.

Insurance Income

General insurance income was $183 million, an increase of $62 million or 51% on the prior year, due to lower weather event claims (Cyclone Debbie led to a large increase in claims in the prior year) and growth in premiums driven by risk based pricing initiatives.

Operating Expenses

Operating expenses were $1,440 million, an increase of $37 million or 3% on the prior year. This was driven by the non-recurrence of one-off provision releases related to CFSGAM in the prior year, higher performance fee related payments in CFSGAM and higher amortisation expenses, partly offset by lower staff costs from the ongoing realisation of productivity benefits.

The number of full-time equivalent employees ("FTE") decreased by 507 or 13% from 3,914 to 3,407 FTE. This reflected a continued focus on workforce optimisation particularly in the financial planning business and the wind-down of the Advice Review program. The majority of costs for the Advice Review program were provided for in prior financial years.

The operating expenses to total operating income ratio was 66.6%, an improvement of 570 basis points on the prior year driven by higher operating income.

Investment spend continues to focus on ongoing regulatory reform initiatives, CFS system upgrades and improving customer experience through digital capabilities.

Risk Weighted Assets (1)

Risk weighted assets were $4.2 billion, an increase of $3.8 billion on the prior year.

- Operational risk weighted assets increased $3.6 billion driven by the transfer of the Wealth Management Advice business to the Level 2 Regulatory Consolidated Banking Group and the requirement to increase Operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential inquiry.

As reported Year Ended June 2017 versus June 2016

Wealth Management Net profit after tax ("statutory basis") for the full year ended 30 June 2017 was $530 million, a decrease of 14% on the prior year. The result was driven by lower insurance income and lower investment experience, partly offset by lower operating expenses. Insurance income declined 13% with growth in general insurance offset by a lower income protection result in life insurance.

Funds Management Income

Funds management income was $1,894 million, flat on the prior year.

Average AUM increased 4% to $206 billion, reflecting strong investment markets, partly offset by the impact of the higher Australian dollar. Investment performance remained strong with 78% of Colonial First State Global Asset Management assets outperforming their three year benchmark. Emerging market equities were impacted by higher net outflows with offsetting strong inflows into fixed income investments. The infrastructure business continued to grow, driven by the acquisition of new investments. AUM margins declined over the year due to continued investment mix shift to lower margin products.

Average FUA increased 5% to $141 billion. The FirstChoice and CFSWrap platforms experienced continued growth in average FUA of 6% and 14% respectively, reflecting positive net flows and solid investment markets.

(1) Risk Weighted Assets include CommInsure Life Business (discontinued operations).

Wealth Management

CFSWrap experienced positive net flows as a result of new clients and superannuation legislation changes. FUA margins declined as a result of increased provisioning for Advice customer remediation costs, while platform margins declined with a trend towards lower margin products.

Insurance Income

Insurance income was $438 million, a 13% decrease on the prior year. Wholesale life insurance income increased reflecting lower claims and the benefit from member growth, partly offset by the loss of some schemes resulting in a decrease in inforce premiums.

Retail life income decreased significantly due to higher claims resulting in loss recognition of $143 million in income protection during the year, an increase of $78 million on the prior year. Lower sales further contributed to the result.

General insurance income increased 9% on the prior year due to growth in inforce premiums reflecting higher renewals, partly offset by higher weather event claims.

Operating Expenses

Operating expenses were $1,653 million, a decrease of 2% on the prior year. This was driven by ongoing productivity initiatives, one-off provision releases and the favourable impact of the higher Australian dollar, partly offset by investment in technology and remediation program costs.

	Full Year Ended						
Assets Under	30 Jun 17	Inflows	Outflows	Net Flows	Other (2)	**30 Jun 18**	Jun 18 vs
Management (AUM) (1)	$M	$M	$M	$M	$M	**$M**	Jun 17 %
Australian equities	30,032	5,218	(8,632)	(3,414)	4,258	**30,876**	3
Global equities	94,588	20,738	(34,254)	(13,516)	12,931	**94,003**	(1)
Fixed income (3)	86,541	48,608	(57,650)	(9,042)	1,731	**79,230**	(8)
Infrastructure	8,266	825	(711)	114	753	**9,133**	10
Total	219,427	75,389	(101,247)	(25,858)	19,673	**213,242**	(3)

	Full Year Ended						
Funds Under	30 Jun 17	Inflows	Outflows	Net Flows	Other (2)	**30 Jun 18**	Jun 18 vs
Administration (FUA)	$M	$M	$M	$M	$M	**$M**	Jun 17 %
FirstChoice	82,382	15,316	(14,004)	1,312	6,605	**90,299**	10
CFSWrap (4)	27,747	6,912	(5,565)	1,347	1,615	**30,709**	11
CFS Non-Platform	15,751	9,690	(10,274)	(584)	1,585	**16,752**	6
Other (5)	9,567	1,201	(1,223)	(22)	694	**10,239**	7
Total	135,447	33,119	(31,066)	2,053	10,499	**147,999**	9

	Full Year Ended						
	30 Jun 17	Sales	Lapses	Net Flows	Other	**30 Jun 18**	Jun 18 vs
Inforce Premiums	$M	$M	$M	$M	$M	**$M**	Jun 17 %
General Insurance	783	139	(125)	14	-	**797**	2

(1) AUM excludes the Bank's interest in the First State Cinda Fund Management Company Limited.
(2) Includes investment income and foreign exchange gains and losses from translation of internationally sourced business.
(3) Fixed income include short-term investments and global credit.
(4) CFSWrap, formerly Custom Solutions, includes FirstWrap products.
(5) Other includes Commonwealth Bank Group Super.

Wealth Management

Life Business – Discontinued Operations

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %
Funds management income	**96**	121	(21)	n/a	n/a	n/a
Insurance income	**337**	317	6	n/a	n/a	n/a
Total operating income	**433**	438	(1)	n/a	n/a	n/a
Operating expenses	**(272)**	(295)	(8)	n/a	n/a	n/a
Net profit before tax	**161**	143	13	n/a	n/a	n/a
Corporate tax expense	**(49)**	(43)	14	n/a	n/a	n/a
Underlying profit after tax	**112**	100	12	n/a	n/a	n/a
Investment experience after tax	**48**	34	41	n/a	n/a	n/a
Non-controlling interests	**-**	(4)	large	n/a	n/a	n/a
Net profit after tax ("cash basis")	**160**	130	23	n/a	n/a	n/a
Treasury share valuation adjustment (after tax)	**2**	(23)	large	n/a	n/a	n/a
Net profit after tax ("statutory basis")	**162**	107	51	n/a	n/a	n/a

	Full Year Ended					
		Restated (1)		As reported		
Key Financial Metrics	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %
FUA - average ($M)	**11,056**	11,853	(7)	n/a	n/a	n/a
Inforce premiums - average ($M)	**1,479**	1,703	(13)	n/a	n/a	n/a
Number of full-time equivalent staff (FTE)	**841**	926	(9)	n/a	n/a	n/a

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

Financial Performance and Business Review (Discontinued Operations)

Year Ended June 2018 versus Restated June 2017

The Life Business Net profit after tax ("statutory basis") for the full year ended 30 June 2018 was $162 million, an increase of $55 million or 51% on the prior year. The result was driven by the non-recurrence of $143 million pre-tax loss recognition on income protection products, lower operating expenses and higher investment experience, partly offset by loss of wholesale schemes, reserve strengthening reflecting poorer claims experience, and lower funds management income reflecting run-off in the closed investment portfolio.

New Zealand

Overview

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

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

On 2 July 2018, CBA completed the sale of its life insurance business in New Zealand ("Sovereign") to AIA Group Limited ("AIA"). The New Zealand results have been prepared on a continuing operations basis excluding Sovereign (discontinued operations). The financial results of Sovereign (discontinued operations) are excluded from the account lines of New Zealand's performance and reported as a single cash net profit after tax line item.

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
New Zealand (A$M)	**A$M**	A$M	Jun 17 %	A$M	A$M	Jun 16 %
Net interest income	**1,760**	1,642	7	1,654	1,581	5
Other banking income (2)	**373**	331	13	290	288	1
Total banking income	**2,133**	1,973	8	1,944	1,869	4
Funds management income	**105**	92	14	92	80	15
Insurance income	**-**	-	-	278	242	15
Total operating income	**2,238**	2,065	8	2,314	2,191	6
Operating expenses	**(811)**	(795)	2	(909)	(889)	2
Loan impairment expense	**(74)**	(65)	14	(65)	(120)	(46)
Net profit before tax	**1,353**	1,205	12	1,340	1,182	13
Corporate tax expense	**(378)**	(336)	13	(361)	(311)	16
Underlying profit after tax	**975**	869	12	979	871	12
Investment experience after tax	**-**	-	-	(6)	10	large
Cash net profit after tax from continuing operations	**975**	869	12	973	881	10
Cash net profit after tax from discontinued operations	**96**	96	-	-	-	-
Net profit after tax ("cash basis")	**1,071**	965	11	973	881	10
Hedging and IFRS volatility (after tax)	**87**	27	large	27	(139)	large
Net profit after tax ("statutory basis") (3) (4)	**1,158**	992	17	1,000	742	35

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) Other banking income disclosed in AUD includes realised gains or losses associated with the hedging of New Zealand operations earnings.
(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.
(4) The CBA Branch results relating to the Institutional Banking and Markets business in New Zealand are not included.

New Zealand

New Zealand (NZ$M)	30 Jun 18 NZ$M	Restated (1) 30 Jun 17 NZ$M	Jun 18 vs Jun 17 %	As reported 30 Jun 17 NZ$M	As reported 30 Jun 16 NZ$M	Jun 17 vs Jun 16 %
	Full Year Ended					
Net interest income	**1,916**	1,738	10	1,750	1,719	2
Other banking income	**419**	401	4	362	346	5
Total banking income	**2,335**	2,139	9	2,112	2,065	2
Funds management income	**114**	97	18	97	87	11
Insurance income	**-**	-	n/a	294	264	11
Total operating income	**2,449**	2,236	10	2,503	2,416	4
Operating expenses	**(881)**	(836)	5	(960)	(964)	-
Loan impairment expense	**(80)**	(69)	16	(69)	(130)	(47)
Net profit before tax	**1,488**	1,331	12	1,474	1,322	11
Corporate tax expense	**(416)**	(372)	12	(399)	(349)	14
Underlying profit after tax	**1,072**	959	12	1,075	973	10
Investment experience after tax	**-**	-	-	(6)	11	large
Cash net profit after tax from continuing operations	**1,072**	959	12	1,069	984	9
Cash net profit after tax from discontinued operations	**106**	102	4	-	-	-
Net profit after tax ("cash basis")	**1,178**	1,061	11	1,069	984	9
Hedging and IFRS volatility (after tax)	**6**	19	(68)	36	(11)	large
Net profit after tax ("statutory basis") (2) (3)	**1,184**	1,080	10	1,105	973	14
Represented by :						
ASB	**1,149**	1,044	10	1,069	903	18
Other (4)	**(71)**	(66)	8	(66)	(35)	89
Sovereign (discontinued operations)	**106**	102	4	102	105	(3)
Net profit after tax ("statutory basis") (2) (3)	**1,184**	1,080	10	1,105	973	14

Key Financial Metrics (continuing operations) (5)	30 Jun 18	Restated (1) 30 Jun 17	Jun 18 vs Jun 17 %	As reported 30 Jun 17	As reported 30 Jun 16	Jun 17 vs Jun 16 %
Statutory operating expenses to total operating income (%)	**35. 8**	36. 9	(110)bpts	38. 3	38. 4	(10)bpts

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.
(3) The CBA Branch results relating to the Institutional Banking and Markets business in New Zealand are not included.
(4) Other includes ASB funding entities and elimination entries between New Zealand segment entities.
(5) Key financial metrics are calculated in New Zealand dollar terms.

New Zealand

Year Ended June 2018 versus Restated June 2017

New Zealand [1] Net profit after tax [2] ("statutory basis") for the full year ended 30 June 2018 was NZ$1,184 million, an increase of NZ$104 million or 10% on the prior year. The result was driven by 10% growth in total operating income, 5% growth in operating expenses, a 16% increase in loan impairment expense and a 4% increase in the profit of the discontinued Sovereign business.

The Australian dollar equivalent line item growth rates are impacted by the depreciation of New Zealand dollar and the mark-to-market movements in foreign exchange hedges relating to New Zealand earnings.

As reported June 2017 versus June 2016

New Zealand [1] Net profit after tax [2] ("statutory basis") for the full year ended 30 June 2017 was NZ$1,105 million, an increase of 14% on the prior year, driven by a strong performance from ASB, partly offset by lower profit in Sovereign Assurance Company ("Sovereign").

(1) The New Zealand result incorporates ASB Bank and the discontinued Sovereign Insurance businesses. The CBA New Zealand Branch results relating to the Institutional Banking and Markets business in New Zealand are not included.

(2) Includes allocated capital charges and other CBA costs.

New Zealand

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
ASB (NZ$M)	**NZ$M**	NZ$M	Jun 17 %	NZ$M	NZ$M	Jun 16 %
Net interest income	**2,008**	1,825	10	1,837	1,763	4
Other banking income	**424**	404	5	404	383	5
Total banking income	**2,432**	2,229	9	2,241	2,146	4
Funds management income	**114**	97	18	97	85	14
Total operating income	**2,546**	2,326	9	2,338	2,231	5
Operating expenses	**(881)**	(836)	5	(836)	(829)	1
Loan impairment expense	**(80)**	(69)	16	(69)	(130)	(47)
Net profit before tax	**1,585**	1,421	12	1,433	1,272	13
Corporate tax expense	**(442)**	(396)	12	(400)	(358)	12
Net profit after tax ("cash basis")	**1,143**	1,025	12	1,033	914	13
Hedging and IFRS volatility (after tax)	**6**	19	(68)	36	(11)	large
Net profit after tax ("statutory basis") (2)	**1,149**	1,044	10	1,069	903	18

	As at					
		Restated (1)		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
Balance Sheet (NZ$M)	**NZ$M**	NZ$M	Jun 17 %	NZ$M	NZ$M	Jun 16 %
Home loans	**53,918**	51,128	5	51,128	47,784	7
Business and rural lending	**27,054**	25,133	8	25,133	22,588	11
Other interest earning assets	**2,212**	2,087	6	2,087	1,951	7
Total lending interest earning assets	**83,184**	78,348	6	78,348	72,323	8
Non-lending interest earning assets	**9,861**	8,662	14	8,662	7,130	21
Other assets	**2,320**	1,572	48	1,572	2,106	(25)
Total assets	**95,365**	88,582	8	88,582	81,559	9
Customer deposits	**55,923**	52,795	6	52,795	49,811	6
Debt issues	**20,053**	18,073	11	18,073	13,431	35
Other interest bearing liabilities (3)	**3,298**	2,716	21	2,716	3,972	(32)
Total interest bearing liabilities	**79,274**	73,584	8	73,584	67,214	9
Non-interest bearing liabilities	**6,591**	6,248	5	6,248	6,192	1
Total liabilities	**85,865**	79,832	8	79,832	73,406	9

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.
(3) Other interest bearing liabilities includes NZ$262 million due to Bank companies (30 June 2017: NZ$33 million).

New Zealand

ASB Key Financial Metrics [2]	30 Jun 18	Restated [1] 30 Jun 17	Jun 18 vs Jun 17 %	As reported 30 Jun 17	As reported 30 Jun 16	Jun 17 vs Jun 16 %
Performance indicators						
Net interest margin (%)	**2. 24**	2. 17	7 bpts	n/a	n/a	n/a
Return on assets (%)	**1. 2**	1. 2	-	1. 2	1. 2	-
Statutory operating expenses to total operating income (%)	**34. 5**	35. 5	(100)bpts	35. 4	38. 8	(340)bpts
Statutory impairment expense annualised as a % of average GLAAs (%)	**0. 10**	0. 09	1 bpt	0. 09	0. 19	(10)bpts
Other information						
Average interest earning assets (NZ$M)	**89,774**	84,091	7	84,091	75,554	11
Risk weighted assets (NZ$M) [3]	**55,682**	53,275	5	n/a	n/a	n/a
Risk weighted assets (A$M) [4]	**49,884**	48,807	2	n/a	n/a	n/a
FUA - average (NZ$M)	**13,110**	12,665	4	12,665	11,632	9
FUA - spot (NZ$M)	**13,525**	12,826	5	12,826	12,063	6
AUM - average (NZ$M) [5]	**4,965**	4,631	7	4,631	4,120	12
AUM - spot (NZ$M) [5]	**5,125**	4,954	3	4,954	4,523	10
90+ days home loan arrears (%)	**0. 14**	0. 12	2 bpts	n/a	n/a	n/a
90+ days consumer finance arrears (%)	**0. 43**	0. 46	(3)bpts	n/a	n/a	n/a
Number of full-time equivalent staff (FTE)	**4,857**	4,745	2	n/a	n/a	n/a

Full Year Ended

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) Key financial metrics are calculated in New Zealand dollar terms (unless otherwise stated).
(3) Risk weighted assets (NZ$M) calculated in accordance with RBNZ requirements.
(4) Risk weighted assets (A$M) calculated in accordance with APRA requirements.
(5) AUM excludes NZ$7,635 million spot balances managed by CFS Global Asset Management (30 June 2017: NZ$5,776 million). These are included in the AUM balances reported by CFS Global Asset Management.

New Zealand

Financial Performance and Business Review

ASB Bank: Year Ended June 2018 versus Restated June 2017

ASB Bank Net profit after tax ("statutory basis") for the full year ended 30 June 2018 was NZ$1,149 million, an increase of 10% on the prior year. The result was driven by 9% growth in total operating income, 5% growth in operating expenses and a 16% increase in loan impairment expense.

Net Interest Income

Net interest income was NZ$2,008 million, an increase of NZ$183 million or 10% on the prior year. The increase was driven by a 3% increase in net interest margin and 7% growth in average interest earning assets.

Net interest margin increased 7 basis points, reflecting:

- Higher home loan margin primarily driven by lower funding costs (up 5 basis points) and lower costs associated with customers breaking fixed rate loans in prior years (up 3 basis points);
- Higher income from treasury and other related activities (up 2 basis points); and
- Higher business and rural lending margins due to lower funding costs (up 1 basis point); partly offset by
- Unfavourable retail deposit mix shift from savings accounts to lower margin term deposits (down 4 basis points).

Other Banking Income

Other banking income was NZ$424 million, an increase of NZ$20 million or 5% on the prior year. The increase was driven by:

- Higher card income due to an increase in customer spend; and
- Higher line of credit fees due to growth in customer numbers; partly offset by
- Lower service fees primarily due to the removal of dishonour fees and ATM fees, and the impact of customers migrating to lower fee digital channels.

Funds Management Income

Funds management income was NZ$114 million, an increase of NZ$17 million or 18% on the prior year, driven by:

- Higher average Assets Under Management ("AUM") (up 7%), reflecting net inflows and favourable market performance and higher AUM margins primarily due to a change in business mix reflecting net inflows in the higher margin funds;
- Increase in income associated with balances managed by CFSGAM (up 9%) due to net inflows and favourable market performance; and
- Higher average Funds Under Administration ("FUA") (up 4%) due to favourable market performance, partly offset by lower FUA margins.

Operating Expenses

Operating expenses were NZ$881 million, an increase of NZ$45 million or 5% on the prior year. The increase was driven by higher staff costs due to an increased number of risk and compliance staff and annual salary increases, higher regulatory compliance costs, and higher amortisation expense.

The number of full-time equivalent employees ("FTE") increased by 112 or 2% on the prior year from 4,745 to 4,857 FTE, primarily driven by growth in risk and compliance staff.

Investment spend continues to focus on the key areas of operational risk and compliance, technology and customer experience.

The operating expense to total operating income ratio for ASB was 34.5%, an improvement of 100 basis points on the prior year, driven by growth in total operating income.

Loan Impairment Expense

Loan impairment expense was NZ$80 million, an increase of NZ$11 million or 16% on the prior year. The increase was due to higher consumer finance expense reflecting higher average arrears and write-offs, partly offset by lower provisions in the Business Banking portfolio due to favourable macroeconomic conditions in New Zealand.

Home loan arrears have increased marginally from the prior year. The increase follows abnormally low arrears rates in the prior year reflecting favourable macroeconomic conditions in New Zealand.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZ$2.8 billion or 5%, in line with system (1), with continued customer preference for fixed rate loans;
- Business and rural loan growth of NZ$1.9 billion or 8%, above system (1) growth of 5%, reflecting the long-term strategic focus on this segment; and
- Customer deposit growth of NZ$3.1 billion or 6%, in line with system (1), with particularly strong growth in term deposits.

Risk Weighted Assets (2)

Risk weighted assets were NZ$55.7 billion, an increase of NZ$2.4 billion or 5% on the prior year.

- Credit risk weighted assets increased NZ$2.1 billion or 4% driven by a NZ$2.5 billion increase due to lending growth and a NZ$0.6 billion increase from refinement of exposures modelling methodology in the home loan portfolio, partly offset by a NZ$1.0 billion decrease from improved credit quality primarily in the residential, corporate and rural portfolios (reflecting a recovery in dairy prices).
- Market risk weighted assets increased NZ$0.3 billion or 15% primarily due to increased NZD interest rate risk exposures.

(1) System source: RBNZ.
(2) Risk weighted assets reflect the New Zealand dollar amount calculated in accordance with RBNZ requirements.

New Zealand

ASB Bank: As reported June 2017 versus June 2016

ASB Bank Net profit after tax ("statutory basis") for the full year ended 30 June 2017 was NZ$1,069 million, an increase of 18% on the prior year. The result was driven by operating income growth of 5% and a lower loan impairment expense.

Net Interest Income

Net interest income was NZ$1,837 million, an increase of 4% on the prior year. Strong volume growth was partly offset by continued margin pressure.

Balance Sheet growth included:

- Home loan growth of 7%, with continued customer preference for fixed rate borrowing;
- Business and rural loan growth of 11%, which remained above system [(1)] following continued investment; and
- Growth in customer deposits of 6%, with strong demand in a slowing retail deposit market.

Net interest margin decreased, reflecting higher wholesale funding costs and higher net fixed rate loan prepayment expense, partly offset by an increase in lending margins.

Other Banking and Funds Management Income

Other banking income was NZ$404 million, an increase of 5% on the prior year, primarily driven by higher card income.

Funds management income was NZ$97 million, an increase of 14% on the prior year, due to strong net flows and a solid performance in investment markets.

Operating Expenses

Operating expenses were NZ$836 million, an increase of 1% on the prior year. This increase was driven by higher staff costs, continued investment in frontline and technology capabilities, partly offset by benefits from productivity initiatives.

The operating expense to total operating income ratio for ASB was 35.4%, an improvement of 340 basis points, reflecting continued focus on productivity.

Loan Impairment Expense

Loan impairment expense was NZ$69 million, a decrease of 47% on the prior year, primarily due to lower collective provisions in the dairy portfolio, partly offset by higher collective provision expense in the home loan portfolio.

(1) System source: RBNZ.

New Zealand

Sovereign Life Insurance Business – Discontinued Operations

	Full Year Ended					
		Restated (1)		As reported		
Sovereign (NZ$M)	30 Jun 18 NZ$M	30 Jun 17 NZ$M	Jun 18 vs Jun 17 %	30 Jun 17 NZ$M	30 Jun 16 NZ$M	Jun 17 vs Jun 16 %
Insurance income	**241**	252	(4)	252	230	10
Operating expenses	**(122)**	(124)	(2)	(124)	(135)	(8)
Net profit before tax	**119**	128	(7)	128	95	35
Corporate tax (expense)/benefit	**(21)**	(23)	(9)	(23)	(5)	large
Underlying profit after tax	**98**	105	(7)	105	90	17
Investment experience after tax	**8**	(3)	large	(3)	15	large
Net profit after tax ("cash basis")	**106**	102	4	102	105	(3)
Net profit after tax ("statutory basis") (2)	**106**	102	4	102	105	(3)
Represented by:						
Planned profit margins	**89**	92	(3)	92	93	(1)
Experience variations	**9**	13	(31)	13	(3)	large
Operating margins	**98**	105	(7)	105	90	17
Investment experience after tax	**8**	(3)	large	(3)	15	large
Net profit after tax ("statutory basis") (2)	**106**	102	4	102	105	(3)

	Full Year Ended					
		Restated (1)		As reported		
Key Financial Metrics	**30 Jun 18**	30 Jun 17	Jun 18 vs Jun 17 %	30 Jun 17	30 Jun 16	Jun 17 vs Jun 16 %
Other information						
Average inforce premiums - average (NZ$M)	**763**	755	1	755	732	3
Annual inforce premiums - spot (NZ$M)	**772**	757	2	757	744	2
Number of full-time equivalent staff (FTE)	**679**	664	2	n/a	n/a	n/a

	Full Year Ended						
Insurance Inforce	30 Jun 17 NZ$M	Sales NZ$M	Lapses NZ$M	Net Flows NZ$M	Other NZ$M	**30 Jun 18 NZ$M**	Jun 18 vs Jun 17 %
Life Insurance	757	113	(86)	27	(12)	**772**	2

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

New Zealand

Financial Performance and Business Review

Year Ended June 2018 versus Restated June 2017

Sovereign Net profit after tax ("statutory basis") for the full year ended 30 June 2018 was NZ$106 million, an increase of NZ$4 million or 4% on the prior year. The result was driven by a 4% decrease in insurance income, a 2% decrease in operating expenses and a NZ$11 million increase in investment experience.

On 2 July 2018 CBA completed the sale of Sovereign to AIA.

Insurance Income

Insurance income was NZ$241 million, a decrease of NZ$11 million or 4% on the prior year, driven by higher disability income claims expense.

Operating Expenses

Operating expenses were NZ$122 million, a decrease of NZ$2 million or 2% on the prior year, driven by lower advertising spend and lower staff costs due to vacancies in 1H18.

The number of full-time equivalent employees ("FTE") increased by 15 or 2% from 664 to 679 FTE.

Investment Experience

Investment experience after tax was a profit of NZ$8 million compared to a loss of NZ$3 million in the prior year. The increase of NZ$11 million is driven by a 23 basis point decrease in the average discount rate in the current year positively impacting the present value of policyholder valuations. The decrease in average discount rates is due to changes in market interest rates.

As reported June 2017 versus June 2016

Sovereign Net profit after tax ("statutory basis") for the full year ended 30 June 2017 was NZ$102 million, a decrease of 3% on the prior year. The result was driven by lower investment experience, partly offset by higher insurance income and lower operating expenses.

Insurance Income

Insurance income was NZ$252 million, an increase of 10% on the prior year, driven by annual inforce premium growth, partly offset by higher claims expense.

Operating Expenses

Operating expenses were NZ$124 million, a decrease of 8% on the prior year, driven by lower marketing costs, professional fees, and timing of technology spend.

Investment Experience

Investment experience after tax was a loss of NZ$3 million, a decrease of NZ$18 million from the prior year, driven by an increase in discount rates negatively impacting policyholder valuations.

Bankwest

Overview

Bankwest provides simple and affordable banking products to more than 1 million retail, business and rural customers across Australia. We assist our customers to manage their everyday banking needs, buy a home, build and grow businesses and invest for the future and support our customers through a network of close to 100 branches and over 200 ATMs, easy to use digital and mobile services and an Australian based 24/7 customer contact centre.

	Full Year Ended					
		Restated [1][2]		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
	$M	$M	Jun 17 %	$M	$M	Jun 16 %
Net interest income	**1,561**	1,473	6	1,644	1,657	(1)
Other banking income	**215**	204	5	243	217	12
Total banking income	**1,776**	1,677	6	1,887	1,874	1
Operating expenses	**(748)**	(754)	(1)	(794)	(773)	3
Loan impairment (expense)/benefit	**(54)**	(99)	(45)	(89)	10	large
Net profit before tax	**974**	824	18	1,004	1,111	(10)
Corporate tax expense	**(293)**	(248)	18	(302)	(333)	(9)
Net profit after tax ("cash basis")	**681**	576	18	702	778	(10)
Other non-cash items	**(3)**	(3)	-	(3)	(27)	(89)
Net profit after tax ("statutory basis") [3]	**678**	573	18	699	751	(7)

	As at					
		Restated [1]		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
Balance Sheet	**$M**	$M	Jun 17 %	$M	$M	Jun 16 %
Home loans [4]	**70,052**	67,637	4	67,913	64,412	5
Other interest earning assets	**10,468**	10,177	3	17,998	18,184	(1)
Total interest earning assets	**80,520**	77,814	3	85,911	82,596	4
Other assets	**299**	306	(2)	255	284	(10)
Total assets	**80,819**	78,120	3	86,166	82,880	4
Transaction deposits [5]	**12,616**	11,926	6	12,450	12,155	2
Savings deposits	**9,016**	9,195	(2)	9,383	10,569	(11)
Investment deposits	**29,415**	31,784	(7)	32,120	26,152	23
Certificates of deposit and other	**34**	41	(17)	42	37	14
Total interest bearing deposits	**51,081**	52,946	(4)	53,995	48,913	10
Other interest bearing liabilities	**93**	69	35	69	66	5
Non-interest bearing transaction deposits	**1,969**	1,723	14	1,939	1,565	24
Other non-interest bearing liabilities	**632**	744	(15)	688	556	24
Total liabilities	**53,775**	55,482	(3)	56,691	51,100	11

(1) Comparative information has been restated to conform to presentation in the current period. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) Excludes Bankwest east coast business banking customers now being managed by the Business and Private Banking division.
(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.
(4) Home loans are presented gross of $5,513 million of mortgage offset balances (31 December 2017: $5,292 million; 30 June 2017: $4,805 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.
(5) Transaction deposits includes $5,513 million of mortgage offset balances (31 December 2017: $5,292 million; 30 June 2017: $4,805 million).

Bankwest

Key Financial Metrics	30 Jun 18 $M	Restated (1) 30 Jun 17 $M	Restated (1) Jun 18 vs Jun 17 %	As reported 30 Jun 17 $M	As reported 30 Jun 16 $M	Jun 17 vs Jun 16 %
Performance indicators						
Net interest margin (%)	**2. 10**	2. 07	3 bpts	n/a	n/a	n/a
Return on assets (%)	**0. 8**	0. 7	10 bpts	0. 8	0. 9	(10)bpts
Statutory operating expenses to total banking income (%)	**42. 3**	45. 2	(290)bpts	42. 3	43. 3	(100)bpts
Statutory impairment expense annualised as a % of average GLAAs (%)	**0. 07**	0. 14	(7)bpts	0. 11	(0. 01)	12 bpts
Other asset/liability information						
Average interest earning assets ($M) (2)	**74,162**	71,192	4	79,384	76,860	3
Risk weighted assets ($M)	**42,897**	37,803	13	n/a	n/a	n/a
90+ days home loans arrears (%)	**0. 95**	0. 80	15 bpts	n/a	n/a	n/a
90+ days consumer finance arrears (%)	**1. 26**	1. 39	(13)bpts	n/a	n/a	n/a
Number of full-time equivalent staff (FTE)	**2,907**	2,850	2	n/a	n/a	n/a

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(2) Average interest earning assets are presented net of mortgage offset balances, which reduce customer interest payments. Net average interest earning assets are also used in the calculation of divisional net interest margin.

Financial Performance and Business Review

Year Ended June 2018 versus Restated June 2017

Bankwest Net profit after tax ("statutory basis") for the full year ended 30 June 2018 was $678 million, an increase of 18% on the prior year. The result was driven by 6% growth in total banking income, 1% lower operating expenses and a 45% decrease in loan impairment expense.

Net Interest Income

Net interest income was $1,561 million, an increase of $88 million or 6% on the prior year. This increase was driven by a 1% increase in net interest margin and 4% growth in average interest earning assets.

Net interest margin increased 3 basis points reflecting:

- A one-off benefit from the extension of the behavioural life of the home loan portfolio reflecting lower customer attrition rates, which has increased the period that mortgage origination costs are amortised over (up 3 basis points);
- Higher home loan margins from repricing of interest only and investor loans in order to manage regulatory requirements, and lower funding costs, partly offset by margin compression due to price competition (up 1 basis point);
- Favourable portfolio mix largely from higher transaction deposit balances (up 3 basis points);
- Stable business lending margins reflecting lower funding costs offset by an increase in the mix of lower margin, commercial property and corporate customers; and
- The impact of the Major Bank Levy (down 4 basis points).

Other Banking Income

Other banking income was $215 million, an increase of $11 million or 5% on the prior year, driven by:

- Higher home loan fee based package offerings; partly offset by
- Lower deposit fee income following the removal of ATM fees.

Operating Expenses

Operating expenses were $748 million, a decrease of $6 million or 1% on the prior year. This was mainly driven by the non-recurrence of a one-off cost of $27 million in the prior year for the integration of Bankwest's east coast business banking operations into Business and Private Banking, partly offset by a one-off cost of $18 million to rationalise Bankwest's east coast retail branch network in the current year. Excluding these one-off costs, underlying operating expenses were flat.

The number of full-time equivalent employees ("FTE") increased by 57 or 2% on the prior year, from 2,850 to 2,907 FTE, driven by investment in customer technology platforms such as the digital home loan applications process.

Investment spend has been concentrated on increasing the resilience of the Bankwest technology platforms and building a simple, digital experience for home loan and small business customers such as digital home loan applications.

The operating expense to total banking income ratio was 42.3%, a decrease of 290 basis points on the prior year mainly due to higher total banking income.

Loan Impairment Expense

Loan impairment expense was $54 million, a decrease of $45 million or 45% on the prior year. This was driven by reduced home loan impairments in Western Australian mining towns and regional areas due to the non-recurrence of specific provisions in the prior year and an improvement in the quality of the Western Australian business loan portfolio.

Loan impairment expense as a percentage of average GLAAs decreased 7 basis points on the prior year to 7 basis points.

Home loan arrears increased by 15 basis points from 0.80% to 0.95%, driven by continued stress in the Western Australia economy.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $2.4 billion or 4%, below system (1) growth of 6%, due to increased competition and the Western Australian economy continuing to lag national growth rates;
- Business loan growth of $0.3 billion or 4%, in line with system (1) growth of 3%, driven by growth in the property and corporate segments while the Western Australian economy continued to lag national growth rates; and
- Total deposit balance decline of $1.6 billion or 3% (interest and non-interest bearing), below system (1) growth of 3%, reflecting a reduction in investment deposits due to a focus on managing the volume and margin mix in a competitive market for term funding.

Risk Weighted Assets

Risk weighted assets were $42.9 billion, an increase of $5.1 billion or 13% on the prior year.

- Credit risk weighted assets increased $1.9 billion or 6% driven by lending volume growth and higher average probability of default on the home loan portfolio; and
- Operational risk weighted assets increased $2.4 billion or 66% driven by the requirement to increase Operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential Inquiry (see "Description of Business Environment – Legal Proceedings" for more information on the Prudential Inquiry").

As reported June 2017 versus June 2016

Bankwest Net profit after tax ("statutory basis") for the full year ended 30 June 2017 was $699 million, a decrease of 7% on the prior year. The result was driven by a higher loan impairment expense and a one-off cost for the integration of Bankwest's east coast business banking operation into Business and Private Banking, partly offset by higher total banking income. Excluding this integration, statutory net profit after tax decreased 4%.

Net Interest Income

Net interest income was $1,644 million, a decrease of 1% on the prior year. The result was driven by a reduction in net interest margins for business lending and investment deposit accounts due to competitive pressures, partly offset by volume growth in home lending and higher margins on home lending and savings products.

Balance Sheet growth included:

- Home loan growth of 5%, lower than system (1), reflecting the Western Australian economy lagging national growth rates;
- Total deposit balance growth of 11%, resulting from strong growth in transaction and investment accounts; partly offset by
- Flat growth in business lending also reflecting the weak Western Australia economy; and
- An 11% decrease in savings deposits reflecting competition and customer preferences for investment deposits.

Net interest margin decreased due to competitive pressures in business lending, partly offset by higher margins on home lending and savings products.

Other Banking Income

Other banking income was $243 million, an increase of 12% on the prior year. The result was driven by an increase in home loan package fees, business lending fees and higher credit card scheme fees.

Operating Expenses

Operating expenses were $794 million, an increase of 3% on the prior year, driven by the one-off cost for the integration of Bankwest's east coast business banking operation into Business and Private Banking. Excluding this integration, operating expenses decreased 1%. This reflects a continued focus on productivity and disciplined expense management, partly offset by inflation.

Loan Impairment Expense

Loan impairment was an expense of $89 million compared to a $10 million benefit in the prior year. This was driven by slower run-off of the business troublesome portfolio and higher home loan losses, predominantly in Western Australia.

(1) System source: RBA/APRA/RBNZ. CBA includes Bankwest.

.

International Financial Services

Overview

International Financial Services ("IFS") aims to increase economic participation and enhance the financial wellbeing of our customers by building a scalable, digital banking business focused on underserved consumers and small businesses.

On 23 May 2018 CBA announced the sale of its 37.5% equity interest in BoComm Life Insurance Company Limited ("BoComm Life") to Mitsui Sumitomo Insurance Co., Ltd ("MSI"). Completion of the sale is subject to the China Banking and Insurance Regulatory Commission's regulatory approval process and Chinese merger clearance.

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

The IFS results have been prepared on a continuing operations basis excluding the financial results of BoComm Life and TymeDigital businesses (discontinued operations). The financial results of the discontinued operations are excluded from the account lines of IFS performance and reported as a single cash net profit after tax line item.

	Full Year Ended					
		Restated [1]		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
IFS [2]	**$M**	$M	Jun 17 %	$M	$M	Jun 16 %
Net interest income	**114**	142	(20)	133	157	(15)
Other banking income	**325**	295	10	297	281	6
Total banking income	**439**	437	-	430	438	(2)
Funds management income	**2**	-	n/a	-	-	n/a
Insurance income	**56**	50	12	50	46	9
Total operating income	**497**	487	2	480	484	(1)
Operating expenses	**(232)**	(282)	(18)	(333)	(382)	(13)
Loan impairment expense	**(65)**	(64)	2	(64)	(66)	(3)
Net profit before tax	**200**	141	42	83	36	large
Corporate tax expense	**(21)**	(4)	large	(4)	(5)	(20)
Non-controlling interests	**(6)**	(8)	(25)	(8)	(4)	large
Underlying profit after tax	**173**	129	34	71	27	large
Investment experience after tax	**5**	5	-	22	25	(12)
Cash net profit after tax from continuing operations	**178**	134	33	93	52	79
Cash net profit after tax from discontinued operations [3]	**(63)**	(41)	54	-	-	n/a
Net profit after tax ("cash basis")	**115**	93	24	93	52	79
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**(84)**	-	n/a	-	-	n/a
Net profit after tax ("statutory basis") [4]	**31**	93	(67)	93	52	79

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

(2) International Financial Services incorporates the Asian retail and business banking operations (Indonesia, China, Vietnam, and India), associate investments in China and Vietnam, and the life insurance and fund management operations in Indonesia. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.

(3) Discontinued operations include BoComm Life and TymeDigital in South Africa.

(4) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

International Financial Services

Key Financial Metrics (continuing operations)	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %	30 Jun 17 $M	30 Jun 16 $M	Jun 17 vs Jun 16 %
Performance indicators						
Return on assets (%)	**3. 4**	2. 4	100 bpts	**n/a**	n/a	n/a
Statutory operating expenses to total operating income (%)	**46. 7**	57. 9	large	**n/a**	n/a	n/a
Statutory impairment expense annualised as a % of average GLAAs (%)	**4. 64**	3. 81	83 bpts	**n/a**	n/a	n/a
Other information						
Risk weighted assets ($M) (2)	**2,509**	2,351	7	**n/a**	n/a	n/a
Number of full-time equivalent staff (FTE)	**2,310**	2,979	(22)	**n/a**	n/a	n/a

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

(2) Risk weighted assets include BoComm Life and TymeDigital businesses.

Financial Performance and Business Review

Year Ended June 2018 versus Restated June 2017

IFS Net profit after tax ("statutory basis") for the full year ended 30 June 2018 was $31 million, a decrease of $62 million or 67% on the prior year. Excluding the contribution from discontinued operations, statutory net profit after tax was $178 million, an increase of $44 million or 33% on the prior year. The result was driven by 2% growth in operating income, 18% decrease in operating expenses and 2% increase in loan impairment expense.

On 23 May 2018 CBA announced the sale of its 37.5% equity interest in BoComm Life to Mitsui Sumitomo Insurance Co., Ltd. The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale cannot currently be reliably estimated, however the Group does not expect it to have a material impact on the Group's results. In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of discontinued businesses.

In addition, IFS has completed three non-core business divestments during the year (Mumbai branch, Ho Chi Minh City branch and China County Banks), while running off the non-strategic commercial lending segment in Indonesia.

The total number of direct customers reduced 30% to approximately 360,000, impacted by the business divestments.

Net Interest Income

Net interest income was $114 million, a decrease of $28 million or 20% on the prior year, including a decrease of $5 million or 4% from the higher Australian dollar. This reflected the impact of the non-core business divestments and the managed run-off of the PT Bank Commonwealth ("PTBC") commercial segment.

Net interest margin decreased by 8 basis points, reflecting lower margin from multifinance loans in PTBC.

Other Banking Income

Other banking income was $325 million, an increase of $30 million or 10% on the prior year. This reflected an increase in equity accounted profits of $10 million or 13% growth in Qilu Bank, $11 million or 7% growth in Bank of Hangzhou ("HZB") and $11 million or 161% growth in Vietnam International Bank ("VIB") due to underlying volume growth.

Insurance Income

Insurance income in PT Commonwealth Life ("PTCL") was $56 million, an increase of $6 million or 12% on the prior year primarily driven by higher premium income.

Operating Expenses

Operating expenses were $232 million, a decrease of $50 million or 18% on the prior year, including a $10 million or 4% decrease from the higher Australian dollar. The result was driven by lower staff costs due to the non-core business divestments and redundancies.

The number of full-time equivalent employees ("FTE") fell by 669 or 22% on the prior year, from 2,979 to 2,310 FTE. This reflected the impact of the non-core business divestments and redundancies.

The operating expense to total operating income ratio was 46.7%, an improvement of 1,120 basis points on the prior year, driven by lower operating expenses.

Loan Impairment Expense

Loan impairment expense was $65 million, an increase of $1 million or 2% on the prior year. The result was driven by the increase in small-medium enterprise loan impairments in PTBC.

Loan impairment expense as a percentage of average GLAAs increased by 83 basis points from 3.81% to 4.64%.

International Financial Services

Balance Sheet

Volume growth has been adversely impacted by non-core business divestments and the managed run-off of the PTBC commercial segment. Excluding these factors, growth in the PTBC consumer and business banking products increased 16%, driven by 38% and 19% growth in home loans and small-medium enterprise loans respectively, partly offset by a 4% reduction in multifinance loans.

Risk Weighted Assets (1)

Risk weighted assets were $2.5 billion, an increase of $0.2 billion or 7% on the prior year.

- IRRBB risk weighted assets increased $0.3 billion or 88% driven by an increase in capital deductions in associate investments in China;
- Operational risk weighted assets increased $0.1 billion driven by the requirement to increase operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential Inquiry (see “Description of Business Environment – Legal Proceedings” for more information on the Prudential Inquiry”); and
- Credit risk weighted assets increased $0.2 billion or 12% driven by divestments.

(1) Risk weighted assets include BoComm Life and TymeDigital businesses.

As reported June 2017 versus June 2016

IFS Net profit after tax (“statutory basis”) for the full year ended 30 June 2017 was $93 million, an increase of 79% on the prior year, including a 35% decrease from the higher Australian dollar. The result was driven by lower operating expenses and a one-off tax benefit, partly offset by lower operating income.

The uncertain geo-political environment and challenging economic conditions across our markets continued to adversely impact business volume momentum. IFS has continued to grow its small-medium enterprises and consumer segment, while winding down the non-strategic commercial segment. The strategic segment represents 93% of the portfolio, up from 75% on the prior year.

The total number of direct customers grew 3% to over 511,000.

On 27 July 2017, the Bank entered into an agreement to transfer CBA’s County Bank ownership in China to Qilu Bank, subject to regulatory approvals.

Net Interest Income

Net interest income was $133 million, a decrease of 15% on the prior year. This reflected the wind-down of the non-strategic commercial lending portfolio which is down 71% to $121 million, and funding costs associated with the South Africa expansion. See Note 39 to the 2017 Financial Report for further details on the Bank’s activities in South Africa.

Net interest margin remained stable despite competitive pressures.

Other Banking Income

Other banking income was $297 million, an increase of 6% on the prior year, including an 8% decrease from the higher Australian dollar. This reflected strong contributions from associates in China due to above system asset growth.

Insurance Income

Insurance income in PTCL was $50 million, a 9% increase on the prior year. The result was driven by net premium growth and lower claims.

Operating Expenses

Operating expenses were $333 million, a decrease of 13% on prior year, including a 2% benefit from the higher Australian dollar. This reflected disciplined IFS-wide cost management which created capacity to support ongoing strategic investment in the business.

Loan Impairment Expense

Loan impairment expense was $64 million, a decrease of 3% on the prior year. PTBC continues to take management action to run-off the commercial lending portfolio.

International Financial Services

BoComm Life and TymeDigital – Discontinued Operations

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
IFS	$M	$M	Jun 17 %	$M	$M	Jun 16 %
Net interest income	**1**	(9)	large	n/a	n/a	n/a
Other banking income	**1**	2	(50)	n/a	n/a	n/a
Total banking income	**2**	(7)	large	n/a	n/a	n/a
Funds management income	**-**	-	-	n/a	n/a	n/a
Insurance income	**-**	-	-	n/a	n/a	n/a
Total operating income	**2**	(7)	large	n/a	n/a	n/a
Operating expenses	**(83)**	(51)	63	n/a	n/a	n/a
Loan impairment expense	**-**	-	-	n/a	n/a	n/a
Net loss before tax	**(81)**	(58)	40	n/a	n/a	n/a
Corporate tax benefit	**2**	-	large	n/a	n/a	n/a
Non-controlling interests	**-**	-	-	n/a	n/a	n/a
Underlying loss after tax	**(79)**	(58)	36	n/a	n/a	n/a
Investment experience after tax	**16**	17	(6)	n/a	n/a	n/a
Net loss after tax ("cash basis")	**(63)**	(41)	54	n/a	n/a	n/a
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**(91)**	-	n/a	n/a	n/a	n/a
Net loss after tax ("statutory basis")	**(154)**	(41)	large	n/a	n/a	n/a

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

Financial Performance and Business Review (Discontinued Operations)

Year Ended June 2018 versus June 2017

BoComm Life and TymeDigital Net loss after tax ("statutory basis") for the full year ended 30 June 2018 was $154 million, a decrease of $113 million on the prior year. The result was driven by a $91 million impairment due to the reclassification of TymeDigital as discontinued operation and higher operating expenses in TymeDigital as a result of higher investment in preparation for the bank launch.

Other

Overview

Corporate Centre includes the results of unallocated Bank support functions such as Treasury, Investor Relations, Group Strategy, Marketing, Legal and Corporate Affairs. It also includes Bank wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

Treasury is primarily focused on the management of the Bank's interest rate risk, funding and liquidity requirements, and management of the Bank's capital.

The Treasury function includes:

- Portfolio Management: manages the interest rate risk of the Bank's non-traded Balance Sheet using transfer pricing to consolidate risk into Treasury, and hedging the residual mismatch between assets and liabilities using swaps, futures and options;
- Group Funding and Liquidity: manages the Bank's long-term and short-term wholesale funding requirements, and the Bank's prudent liquidity requirements; and
- Capital and Regulatory Strategy: manages the Bank's capital requirements.

	Full Year Ended					
		Restated (1)		As reported		
	30 Jun 18	30 Jun 17	Jun 18 vs	30 Jun 17	30 Jun 16	Jun 17 vs
Corporate Centre (including eliminations)	**$M**	$M	Jun 17 %	$M	$M	Jun 16 %
Net interest income	**279**	309	(10)	393	205	92
Other banking income (2)	**(79)**	427	large	418	165	large
Total banking income	**200**	736	(73)	811	370	large
Funds management income	**6**	1	large	48	45	7
Insurance income	**54**	52	4	20	5	large
Total operating income	**260**	789	(67)	879	420	large
Operating expenses (3)	**(1,885)**	(1,258)	50	(1,314)	(766)	72
Loan impairment (expense)/benefit	**39**	(39)	large	(40)	11	large
Net loss before tax	**(1,586)**	(508)	large	(475)	(335)	42
Corporate tax benefit	**249**	168	48	164	239	(31)
Non-controlling interests	**(13)**	(12)	8	(12)	(16)	(25)
Underlying profit after tax	**(1,350)**	(352)	large	(323)	(112)	large
Investment experience after tax	**(16)**	(5)	large	(26)	(18)	44
Cash net loss after tax from continuing operations	**(1,366)**	(357)	large	(349)	(130)	large
Cash net loss after tax from discontinued operations	**(14)**	-	n/a	-	-	-
Net loss after tax ("cash basis")	**(1,380)**	(357)	large	(349)	(130)	large
(Loss)/gain on disposal and acquisition of entities net of transaction costs	**(157)**	-	n/a	-	-	-
Hedging and IFRS volatility	**14**	46	(70)	46	(60)	large
Net loss after tax ("statutory basis") (4)	**(1,523)**	(311)	large	(303)	(190)	59

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

(2) The full year ended 30 June 2017 includes a $397 million gain on sale of the Bank's remaining investment in Visa Inc.

(3) The full year ended 30 June 2018 includes $700 million for the AUSTRAC civil penalty (half year ended 30 June 2018: $325 million and half year ended 31 December 2017: $375 million). The full year ended 30 June 2018 includes $155 million of one-off regulatory spend (half year ended 30 June 2018: $45 million and half year ended 31 December 2017: $110 million). The full year ended 30 June 2017 included a $393 million one-off expense for acceleration of amortisation on certain software assets. For more details on the AUSTRAC proceedings and AUSTRAC civil penalty, see "Description of Business Environment – Legal Proceedings".

(4) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 9 of this Document for further details. A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 2.7 to the 2018 Financial Report.

Other

Financial Performance and Business Review

Year Ended June 2018 versus Restated June 2017

Corporate Centre Net loss after tax ("statutory basis") for the full year ended 30 June 2018 was $1,523 million, an increase of $1,212 million on the prior year. The result was primarily driven by 67% lower total operating income, 50% higher operating expenses and a $78 million decrease in loan impairment expense.

Net Interest Income

Net interest income was $279 million, a decrease of $30 million or 10% on the prior year. This was driven by an increased rebate of earnings on liquid asset balances.

Other Banking Income

Other banking income was a loss of $79 million compared to income of $427 million in the prior year, a decrease of $506 million. Excluding the $397 million gain on sale of the Bank's remaining investment in Visa Inc. in the prior year, other banking income decreased $109 million. This was primarily driven by lower Treasury income, which included the restructuring of economic hedges to reduce the overall funding costs and optimise capital in relation to the 30 year US debt issuances. This resulted in an upfront realised loss and an embedded gain in the swap that is amortised over the residual life of the debt issuance.

Insurance Income

Insurance income was $54 million, an increase of $2 million or 4% on the prior year, driven by growth in premiums due to risk based pricing initiatives. This is recognised in Corporate Centre as it represents elimination entries for Wealth Management products sold through the Retail Banking Services network.

Operating Expenses

Operating expenses were $1,885 million, an increase of $627 million or 50% on the prior year. Excluding the impact of $700 million for the AUSTRAC civil penalty, $155 million of one-off regulatory costs, and the $393 million one-off expense for acceleration of amortisation on certain software assets in the prior year, operating expenses increased $165 million or 19%. This was driven by $199 million of higher risk and compliance costs, partly offset by the non-recurrence of corporate technology and investment spend incurred in the prior year.

Loan Impairment Expense

Loan impairment expense was a benefit of $39 million, a decrease of $78 million on the prior year due to the release of a $40 million centrally held provision overlay. This provision was raised in the prior year and is no longer required.

Risk Weighted Assets

Risk weighted assets were $20.0 billion, a decrease of $2.7 billion or 12% on the prior year. Key drivers were:

- Credit risk weighted assets decreased $1.5 billion or 11% driven by portfolio optimisation initiatives; and
- Market risk weighted assets decreased $1.9 billion or 28% mainly due to interest rate risk management activities and an increase in embedded gains; partly offset by
- Operational risk weighted assets increased $0.7 billion or 31% driven by the requirement to increase operational risk regulatory capital effective 30 April 2018 following the findings of the recent APRA Prudential Inquiry.

As reported June 2017 versus June 2016

Corporate Centre Net loss after tax ("statutory basis") for the full year ended 30 June 2017 reduced $150 million on the prior year to $226 million.

Total banking income increased 54% to $534 million reflecting higher Treasury income from management of interest rate risk and increased capital.

Operating expenses were $921 million, an increase of 20% on the prior year, driven by higher corporate technology costs, professional fees, timing of employee entitlements and investment spend. Significant corporate technology and investment spend initiatives include:

- Safeguarding information security to mitigate risks;
- Common Reporting Standard requirements; and
- Anti-Money Laundering.

Eliminations/Unallocated Net loss after tax ("statutory basis") for the full year ended 30 June 2018 was $77 million, a decrease of $263 million on the prior year. This was primarily driven by a one-off expense for acceleration of amortisation on certain software assets, an increase in centrally held loan impairment provisions, and the timing of recognition of unallocated revenue items and eliminations, partly offset by a gain on sale of the Bank's remaining investment in Visa Inc.

Divisional Summary

Divisional Summary	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS $M	Other $M	Total $M
	Full Year Ended 30 June 2018								
Net interest income	9,791	3,392	1,444	-	1,760	1,561	114	279	**18,341**
Other banking income	2,086	1,033	1,229	-	373	215	325	(79)	**5,182**
Total banking income	11,877	4,425	2,673	-	2,133	1,776	439	200	**23,523**
Funds management income	-	-	-	1,978	105	-	2	6	**2,091**
Insurance income	-	-	-	183	-	-	56	54	**293**
Total operating income	11,877	4,425	2,673	2,161	2,238	1,776	497	260	**25,907**
Investment experience (1)	-	-	-	26	-	-	5	(14)	**17**
Total income	11,877	4,425	2,673	2,187	2,238	1,776	502	246	**25,924**
Operating expenses	(3,745)	(1,596)	(1,142)	(1,440)	(811)	(748)	(232)	(1,885)	**(11,599)**
Loan impairment (expense)/benefit	(716)	(129)	(80)	-	(74)	(54)	(65)	39	**(1,079)**
Net profit before tax	7,416	2,700	1,451	747	1,353	974	205	(1,600)	**13,246**
Corporate tax (expense)/benefit	(2,223)	(812)	(330)	(184)	(378)	(293)	(21)	247	**(3,994)**
Non-controlling interests	-	-	-	-	-	-	(6)	(13)	**(19)**
Net profit after tax from continuing operations - "cash basis"	5,193	1,888	1,121	563	975	681	178	(1,366)	**9,233**
Net profit after tax from discontinued operations	-	-	-	160	96	-	(63)	(14)	**179**
Net profit after tax - "cash basis"	5,193	1,888	1,121	723	1,071	681	115	(1,380)	**9,412**
Hedging and IFRS volatility	-	-	-	-	87	-	-	14	**101**
Other non-cash items	58	-	-	2	-	(3)	(84)	(157)	**(184)**
Net profit after tax - "statutory basis"	5,251	1,888	1,121	725	1,158	678	31	(1,523)	**9,329**
Additional information (continuing operations) (2)									
Net interest margin (%) (3)	2. 98	3. 05	1. 04	n/a	2. 24	2. 10	n/a	n/a	**2. 15**
Statutory operating expenses to total banking income	30. 5	36. 1	42. 7	66. 6	34. 5	42. 3	46. 7	n/a	**44. 5**
Statutory impairment expense annualised as a % of average GLAAs (%) (3)	0. 20	0. 11	0. 08	n/a	0. 10	0. 07	4. 64	n/a	**0. 15**
Average interest earning assets ($M) (3) (4)	328,851	111,136	139,050	n/a	89,774	74,162	n/a	111,291	**854,264**
Risk weighted assets ($M) (5) (6)	146,511	96,329	96,190	4,234	49,884	42,897	2,509	20,058	**458,612**
Employees (Full Time Equivalent) (No.) (3)	11,759	3,575	1,566	3,407	4,857	2,907	2,310	13,390	**43,771**

(1) Investment experience is presented on a pre-tax basis.
(2) Retail Banking Services additional information (metrics) is presented excluding the impact of consolidation of AHL Holdings Pty Ltd (trading as "Aussie Home Loans") and eChoice.
(3) New Zealand additional information metrics relate to ASB only and is calculated in New Zealand Dollar terms.
(4) Net of average mortgage offset balances.
(5) Risk weight assets include discontinued operations.
(6) New Zealand risk weighted assets represents ASB only and are calculated in accordance with APRA requirements.

Contents

Section 6 – Other Information

Risk Management	117
Off-Balance Sheet Arrangements	123
Commitments	125
Description of Business Environment	127
Corporate Governance	137
Five Year Financial Summary	149

Risk Management

Risk Management

Overview

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

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

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

Risk Management Framework

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

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

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

Risk Culture and Conduct Risk

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

Risk Management

Trust and Reputation

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

The four key elements that operationalise the Framework are:

Risk Governance

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

The Board operates as the highest level of the Group's risk governance as specified in its Charter. In addition, an annual declaration is made by the chairs of the Board and Risk Committee to APRA on Risk Management as set out in the prudential standard ("CPS 220").

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

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

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

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

Risk Policies & Procedures

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

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

Risk Reporting

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

Risk Management Infrastructure

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

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

Risk Management

Material Risk Types

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

Risk Type	Description	Governing Policies and Key Management Forums	Key Limits, Standards and Measurement Approaches
Credit Risk (refer to Note 9.2 to the 2018 Financial Report)	Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Group. At a portfolio level, credit risk includes concentration risk arising from interdependencies between customers, and concentrations of exposures to geographical regions and industry sectors.	**Governing Policies:** ▪ Group Credit Risk Principles, Framework and Governance ▪ Group and Business Unit Credit Risk Policies **Key Management Committee:** Executive Risk Committee	The following credit concentration frameworks set credit portfolio concentration limits: ▪ Large Credit Exposure Policy; ▪ Country Risk Exposure Policy; and ▪ Industry Sector Concentration Policy. Credit quality metrics with associated limits are set in the Group Risk Appetite Statement ("RAS") for corporate and retail exposures and cascaded to BUs. Group and BU Credit Risk Policies cover the credit risk exposure cycle. The measurement of credit risk is primarily based on an APRA accredited Advanced Internal Ratings Based ("AIRB") approach.
Market Risk (including Equity Risk) (refer to Note 9.3 to the 2018 Financial Report)	Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or net worth of the Group. This includes changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, and the resale value of operating leased assets at maturity (lease residual value risk).	**Governing Policies:** ▪ The Group Market Risk Policy **Key Management Committee**: Asset and Liability Committee	The Group Market Risk Policy sets limits and standards with respect to the following: ▪ Traded Market Risk; ▪ Interest Rates Risk in the Banking Book ("IRRBB"); ▪ Residual Value Risk; ▪ Non-traded Equity Risk; and ▪ Market Risk in Insurance Businesses. The respective measurement approaches for these risks include: ▪ Value at Risk, Stress Testing; ▪ Market Value Sensitivity, Net Interest Earnings at Risk; ▪ Aggregate Residual Value Risk Weighted Exposure, Aggregate Residual Value Risk Margin; ▪ Aggregate Portfolio Limit; and ▪ Value at Risk.

Material Risk Types (continued)

Risk Type	Description	Governing Policies and Key Management Forums	Key Limits, Standards and Measurement Approaches
Liquidity and Funding Risk (refer to Note 9.4 to the 2018 Financial Report)	Liquidity risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk), and that liquidity in financial markets, such as the market for debt securities, may reduce significantly (market liquidity risk).	**Governing Policies:** ▪ Group Liquidity Risk Management Policy **Key Management Committee:** ▪ Asset and Liability Committee	The Group Liquidity Risk Management Policy and Strategy sets limits and standards with respect to the following: ▪ The LCR, which requires liquid assets exceed modelled 30 day cash outflows under stress scenario; ▪ The NSFR, which encourages stable funding of core assets; ▪ Market and idiosyncratic stress test scenarios; and ▪ Limits that set tolerances for the sources and tenor of funding. The measurement of liquidity risk uses scenario analysis, covering both adverse and ordinary operating circumstances.
Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	**Governing Policies:** ▪ Operational Risk Management Framework ("ORMF") ▪ Group Business Unit Operational Risk Policies. **Key Management Committee:** ▪ Executive Leadership Team Non-Financial Risk Committee.	Group Risk Appetite Statement-Operational Risk metric in respect of: ▪ Losses; ▪ Residual Risk; ▪ Internal Control environment; and ▪ Issues. The measurement of operational risk is based on an APRA accredited Advanced Measurement Approach. The approach combines internal and external loss experience and business judgements captured through scenario analysis.
Compliance Risk	Compliance risk is the risk of sanctions, financial loss, or reputational damage we may suffer as a result of the Group's failure to comply with laws, regulations, rules, statements of regulatory policy, and codes of conduct applicable to its business activities (not including operational risk failures) and includes societal expectations. Financial crime represents a sub-component of Compliance Risk and covers risks including Anti Money Laundering, Counter Terrorism Financing and Anti-Bribery and Corruption. And sanctions	**Governing Policies:** ▪ Group Compliance Risk Management Framework ("CRMF") ▪ Group and Business Unit Compliance Policies **Key Management Committee:** ▪ Executive Leadership Team Non-Financial Risk Committee.	The CRMF sets the standards on how the Group identifies, assesses, manages, monitors and reports on Compliance Risk. The CRMF is supported by a number of key policies which are set out in the Group Risk Management Approach ("RMA"). Compliance Risk Measures are included in the Group Risk Appetite Statement ("RAS").

Material Risk Types (continued)

Risk Type	Description	Governing Policies and Key Management Forums	Key Limits, Standards and Measurement Approaches
Insurance Risk	Insurance risk is the risk of loss due to increases in policy benefits arising from variations in the incidence or severity of insured events. In the life insurance business this arises primarily through mortality (death) or morbidity (illness or injury) claims being greater than expected. In the general insurance business, variability arises mainly through weather related incidents and similar events, as well as general variability in home, motor and travel insurance claim amounts. Insurance risk also covers inadequacy in product design, pricing, underwriting, claims management and reinsurance management, as well as variations in policy lapses, servicing expenses, and option take up rates.	**Governing Policies:** ▪ Product Management Policy ▪ Underwriting Policy ▪ Claims Management Policy ▪ Reinsurance Management Policy **Key Management Committee:** ▪ Executive Committees of Insurance writing businesses	The key limits and standards with respect to insurance risk are set via the end-to-end policies of insurance writing businesses. The major methods include: ▪ Sound product design and pricing, to ensure that customers understand the extent of their cover and that premiums are sufficient to cover the risk involved; ▪ Regular review of insurance experience, so that product design, policy liabilities and pricing remains sound; ▪ Claims management to ensure that claims are paid within the agreed policy terms and that genuine claims are paid as soon as possible after documentation is received and reasonable investigations are undertaken; and ▪ Transferring a proportion of insurance risk to reinsurers to keep within risk appetite. Insurance risk is measured using actuarial techniques which are used to establish the likelihood and severity of possible insurance claims. Insurance risk is further monitored with key financial and performance metrics, such as loss ratios, new business volumes and lapse rates.
Strategic Risk	Strategic Risk is the risk of material value destruction or less than planned value creation arising from changes in the business environment (caused by macro-economic conditions, competitive forces at work, technology, regulatory, political and social trends, customer preference and the environment or internal weaknesses, such as a poorly implemented or flawed strategy).	**Governing Policies:** ▪ The management of Strategic Risks is intrinsically interconnected with business management and is driven by the Group's Strategic Planning Cycle. **Key Management Committee:** ▪ Executive Leadership Team	Strategic risks are overseen by the Board. The Group's approach to managing Strategic Risks is to select a strategy that is expected to maximise long-term value for shareholders. While considering Group and BU strategic plans, the Board considers the most significant risks (current and emerging) arising from these. Strategic risk is assessed by using scenario analysis and stress testing to understand the potential impacts of changes in the external operating environment. The findings from these assessments are used to inform mitigating actions, including incorporating contingency (where appropriate) into the strategic and financial plans. Potential adverse climate change impacts are measured and managed as an outcome of all other material risks. In support of our commitment to limiting climate change in line with the Paris Agreement and the responsible global transition to net zero emissions by 2050 we: ▪ Develop scenario analyses to understand the impacts of both transition and physical climate-related risks in our business and the implications for strategic and tactical portfolio decisions; and ▪ Have developed strong policy frameworks which consider Environmental, Social and Governance ("ESG") issues, including climate change impacts in assessing our relationships with customers and suppliers. In addition, Corporate Responsibility programs: ▪ Outline our objectives for safeguarding the environment, whilst supporting economic growth and development; and ▪ Provide guidelines in monitoring and reducing our own greenhouse gas emissions and energy use.

Cross-Border Outstandings

Cross-border outstandings are based on the country of domicile of the borrower or guarantor of the ultimate risk. Outstandings include loans, acceptances and other monetary assets. Local currency activities with local residents by foreign branches and controlled entities of the Group are excluded. Mark-to-market derivative exposures (which are a sub-set of other monetary assets) are included in outstandings by the country of the borrower's domicile irrespective of currency.

CBA's cross-border outstandings to borrowers in countries that individually exceeded 0.75% of Group total assets as at 30 June 2018 and 30 June 2017 respectively are as follows:

	As at 30 June 2018				
	Government and Official Institutions $M	Banks $M	Other (primarily Commercial and Industrial) $M	Total $M	% of Group Total Assets %
United States	2,988	6,144	8,429	17,561	1.80
United Kingdom	5,539	842	3,006	9,388	0.96
Germany	3,019	1,872	2,503	7,394	0.76

	As at 30 June 2017				
	Government and Official Institutions $M	Banks $M	Other (primarily Commercial and Industrial) $M	Total $M	% of Group Total Assets %
United States	4,790	4,569	6,929	16,288	1.70
China	201	5,298	4,616	10,115	1.00
United Kingdom	4,816	743	3,634	9,193	0.94
France	4,016	3,182	500	7,698	0.80

Off-Balance Sheet Arrangements

The Group is a full service financial institution that offers a range of On-Balance Sheet and Off-Balance Sheet arrangements and commitments to customers in the normal course of business. In addition, the Group has a number of other arrangements that form part of its day-to-day business operations. Such activities include traditional Off-Balance Sheet credit risk related instruments, commitments under capital and operating leases, long-term debt issues, provision of liquidity facilities to securitisation programs and other contractual arrangements. These transactions combine varying levels of credit, interest rate, foreign exchange and liquidity risk. Risk Concentrations are managed by a combination of risk policies which limit exposures to individual counterparties, countries, industries, markets and liquidity risk.

Consolidated Entities

The Group is involved with a number of special purpose entities in the ordinary course of business, primarily to provide funding and financial services to our customers. Under accounting standards these entities are consolidated in the Financial Statements if they meet the definition of control. The definition of control depends upon substance rather than form and, accordingly, determination of the existence of control involves management judgement.

Special Purpose Entities

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 de-recognition of those financial assets for the Group. These include securitisation programs, covered bond programs and repurchase agreements. The Group has a policy of funding diversification and assets are securitised to provide greater diversification of the Group's funding sources. The Group's funding strategy is designed to avoid over-reliance on funding from any one market sector (refer to Note 9.4 to the 2018 Financial Report – Liquidity and Funding Risk). In addition, the Group's capital management benefits from reduced risk under APRA Prudential capital adequacy guidelines.

Securitisation Programs

Residential mortgages securitised under the Group's securitisation programs are equitably assigned to bankruptcy remote 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. The Bank's access to residential mortgages transferred to the SPV are subject to the conditions set out in the transaction documents.

Covered Bonds Programs

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

Interest rate swaps and liquidity facilities, as appropriate, are provided at arm's length to the programs by the Group in accordance with APRA Prudential Guidelines.

For further information on the Group's exposures to unconsolidated SPVs, refer to Note 4.4 and Note 11.1 of the 2018 Financial Report.

Group Arrangements with Issuers	**2018** **$M**	2017 $M	2016 $M
Liquidity facilities available to Issuers (1)	**3,155**	3,674	2,382

(1) Relates to undrawn facilities to unconsolidated SPVs.

Credit Risk Related Instruments

The Group 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 both the financing needs of its customers and to manage its own risk. These financial instruments include guarantees, letters of credit, bill endorsements and other commitments to provide credit. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations.

As these items are contingent upon the clients default or drawdown of the commitment, the potential funded exposure is expected to be significantly less than the face value.

These transactions combine varying levels of credit, interest rate, foreign exchange and liquidity risk. In accordance with Bank policy, exposure to any of these transactions (net of collateral) is not carried at a level that would have material adverse effect on the financial condition of the Bank and its controlled entities.

The only material category of commitments is the $162 billion of commitments to provide credit (2017: $174 billion). These are committed but undrawn facilities available to borrowers at call. The commitment to provide cash under these instruments is managed within the Group's liquidity and funding policies under current APRA Prudential Standards.

Details of contingent liabilities and Off-Balance Sheet business are set out in Note 12.1 to the 2018 Financial Report - Contingent Liabilities, Contingent Assets and Commitments arising from the banking business.

Off Balance Sheet Arrangements

	Group					
	Face Value			Credit Equivalent		
	2018	2017	2016	**2018**	2017	2016
Credit risk related instruments	**$M**	$M	$M	**$M**	$M	$M
Guarantees	**6,265**	7,424	6,216	**5,185**	7,424	6,216
Documentary letters of credit	**761**	1,183	1,308	**753**	1,168	1,153
Performance related contingents	**4,610**	2,133	2,568	**2,531**	2,127	2,560
Commitments to provide credit	**162,090**	173,555	170,742	**157,636**	167,205	162,967
Other commitments	**1,470**	837	1,636	**1,470**	835	1,359
Total credit risk related instruments	**175,196**	185,132	182,470	**167,575**	178,759	174,255

Guarantees are unconditional undertakings given to support the obligations of a customer to third parties.

Standby letters of credit are undertakings to pay, against presentation of Documents, an obligation in the event of a default by a customer.

Performance-related contingents are undertakings that oblige the Group to pay third parties should a customer fail to fulfil a contractual non-monetary obligation.

Commitments to provide credit include all obligations on the part of the Group to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

Other commitments include underwriting facilities, commitments with certain drawdowns, standby letters of credit and bill endorsements.

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 (Refer to Note 12.1 to the 2018 Financial Report - Contingent Liabilities, Contingent Assets and Commitments arising from the banking business).

Other commitments include the Group'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 that are irrevocable because they cannot be withdrawn at the discretion of the Group 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 the fully-advanced amount be used as the credit equivalent exposure amount.

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 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.

The carrying value of net future payments that may be required for Guarantees as defined in ASC Codification Topic 460: Guarantees, is set out by term in the table below:

	Carrying Value (1)		
	2018	2017	2016
	$M	$M	$M
Guarantees	**-**	9	9
Documentary letters of credit	**-**	1	2
Performance related contingents	**28**	24	33
Total	**28**	34	44

(1) These instruments have a maturity profile within one year from the Balance Sheet date.

Securitisation of Assets

The Group conducts a Loan Securitisation program as described under "Special Purpose Entities" on page 123 of this Document.

The outstanding balance of securitised loans at 30 June 2018 was $14,661 million (2017: $15,108 million). No credit losses were incurred by the Group in relation to these securitised loans during the financial years 2018 and 2017.

Interest rate swaps and liquidity facilities are provided at arm's length to the program by the Group in accordance with APRA Prudential Guidelines.

Liquidity facilities are disclosed in Note 9.4 to the 2018 Financial Report. These commitments are considered minor in the totality of the Group's business.

For further information on the Group's securitisation activities refer to Note 4.4 and Note 11.1 to the 2018 Financial Report.

Commitments

Commitments

This "Commitments" section contains certain forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 6 of this Document.

At the end of financial years 2018 and 2017, the Group had commitments for capital expenditure and lease commitments (see Note 12.2 to the 2018 Financial Report).

Contractual Obligations

The Group also had various monetary contractual liabilities, such as deposits and other public borrowings, payables to other financial institutions, bank acceptances, life liabilities, debt issues and loan-capital, and other monetary liabilities. Refer to Note 9.4 to the 2018 Financial Report for the maturity distribution of these monetary contractual liabilities. Details of the Group's contractual obligations are set out in the table below.

	Payments due by period at 30 June 2018					
	Total	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Unspecified**
	$M	**$M**	**$M**	**$M**	**$M**	**$M**
On-Balance Sheet [1]						
Debt Issues	145,565	52,546	35,602	31,255	26,160	-
Deposits and other Public Borrowings	565,200	550,202	12,380	2,151	468	-
Loan Capital	24,948	466	4,511	6,750	13,221	-
Total On-Balance Sheet	735,713	603,214	52,493	40,156	39,849	-
Off-Balance Sheet						
Credit risk related instruments [2]	-	-	-	-	-	-
Lease commitments - Property, Plant and Equipment [3]	3,870	619	925	668	1,658	-
Commitments for capital expenditure not provided for in the accounts	153	49	104	-	-	-
Total Off-Balance Sheet	4,023	668	1,029	668	1,658	-

(1) Contractual On-Balance Sheet obligations also include contractual interest; refer to Note 9.4 to the 2018 Financial Report.
(2) Credit risk related instruments, see page 123 of this Document.
(3) Refer to Note 6.1 to the 2018 Financial Report.

Commitments

Lease Arrangements

Operating leases are entered into to meet the business needs of entities in the Group. Leases are primarily over commercial and retail premises and plant and equipment.

Lease rentals are determined in accordance with market conditions when leases are entered into or on rental review dates. The total expected future sublease payments to be received are $88 million as at 30 June 2018 (2017: $99 million).

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 Network Limited: The Australian Paper Clearing System, The Bulk Electronic Clearing System, The Issuers and Acquirers Community and the High Value Clearing System (only if operating in fallback mode"). This credit risk exposure is unquantifiable in advance, but is well understood, and is extinguished upon settlement following each exchange during the business day or at 9am next business day.

Capital Commitments

The Group is committed for capital expenditure on property, plant and equipment and computer software under contract of $153 million as at 30 June 2018 (2017: $170 million). The Bank is committed for $148 million (2017: $168 million). These commitments are expected to be extinguished within the next four years.

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 2018 was $3.1 million (2017: $5.6 million).

Transactions in Own Shares

The Group had the following employee share plans in place during the year ended 30 June 2018:

- Employee Share Performance Unit Plan ("ESPUP");
- Group Leadership Reward Plan ("GLRP");
- Employee Share Acquisition Plan ("ESAP");
- International Employee Share Acquisition Plan ("IESAP");
- Employee Salary Sacrifice Share Plan ("ESSSP");
- Group Rights Plan ("GRP");
- Employee Equity Plan ("EEP"); and
- Non-Executive Directors Share Plan ("NEDSP").

For further information regarding compensation arrangements and agreements with Group Key Management Personnel, see the Remuneration Report in the 2018 Financial Report.

Description of Business Environment

Business Strategies and Future Developments

During the current year, CBA has been able to grow our main financial institution ("MFI") market share [(1)], deepen customer relationships, and invest in businesses, technologies and capabilities. Our operating context is evolving. We are experiencing, and are likely to continue to see, ongoing changes in our economic, regulatory and competitive environment. We believe we have the right foundations to thrive in this evolving context. We believe we have the strongest retail franchise in Australia and very strong commercial banking franchises. In fact, we have relationships with more than half of all Australians and more business customers than any other bank, supported by the broadest branch network in Australia [(2)] and our relationship managers for business and institutional clients. This strength has enabled us to invest in market-leading technology. We now have 6.5 million active digital users and remain the only major Australian bank with a real time banking system. We also have a strong balance sheet and have been strengthening our capital, liquidity and funding. Our strategy builds on our strong foundations and reflects the changes in operating context to strengthen our business for the long term and deliver balanced and sustainable outcomes for our stakeholders. We take our role and responsibility in the community seriously and are committed to making a broad, meaningful and positive contribution to Australian society.

We have a simple purpose: to improve the financial wellbeing of our customers and communities. Our purpose guides our strategy. Our strategy is to become a simpler, better bank that delivers balanced and sustainable outcomes for our customers, community, our people and shareholders.

A simpler, better bank for our customers

Our strategy is to simplify our portfolio, operating model and processes with a focus on our core retail and commercial banking businesses in Australia and New Zealand. Within our retail and business franchises, our priorities are to build deep, trusted relationships with our customers, strengthen our business banking proposition, and deliver better operational discipline. We hope to grow from a simpler and more digital foundation and intend to accelerate our innovation agenda to give customers the best digital experiences, and make it easier for our people to better serve customers.

Stronger capabilities

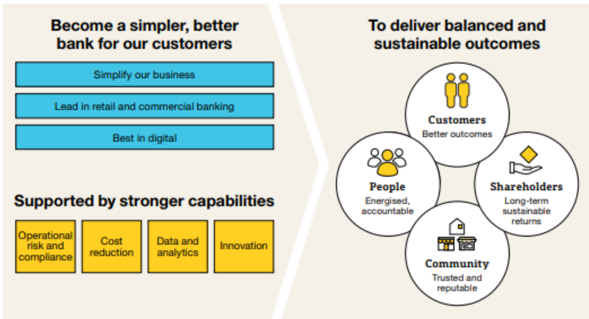
To deliver on our strategy we need to achieve better customer, efficiency, and risk outcomes. To do this, we will prioritise strengthening four critical capabilities:

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

Balanced and sustainable outcomes

We believe that delivering for each of our stakeholders creates a virtuous cycle. We exist to serve customers. Engaged employees with strong values will deliver excellent customer service, better customer outcomes and make a positive contribution to the community. We believe this will, in turn, generate strong, sustainable returns for shareholders. We will focus on achieving better customer outcomes, earning the community's trust, renewing our culture and delivering for shareholders. We must also operate in a way that helps to ensure a resilient, efficient, fair and safe financial system. To measure our progress, we will monitor a balanced set of metrics. We have set ourselves the following goals:

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



Our customers

Our focus on service and our strong digital proposition have led to high levels of customer satisfaction, as evidenced by the Bank leading in retail customer satisfaction for 51 of the past 60 months [(1)]. Despite this, we acknowledge that if we want customers to be our supporters and advocates, we need to demonstrate more clearly that we are on their side. This requires not only continued leadership in service and digital innovation, but also ensuring that we make a tangible, positive impact on our customers' financial wellbeing. This is why we have changed our focus from customer satisfaction to tracking both our promoters and detractors through a Net Promoter Score ("NPS"). NPS is now our primary measure of customer outcomes. Our digital channels have performed well, and we have consistently achieved #1 NPS scores for both our mobile app and internet banking [(3)]. Improving our consumer and our business customer scores is a major focus for us.

Our community

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

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

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

Trust is the cornerstone of banking, but the community's trust in us and our reputation have been damaged recently. We have launched a comprehensive remediation program (the Better Risk Outcomes Program) to fix weakness in our risk management, strengthen our overall management of risk, and ensure we exceed our regulatory and compliance obligations.

(1) Roy Morgan Research. Retail Main Financial Institution ("MFI") Customer Satisfaction,
(2) APRA research.
(3) Roy Morgan's Single Source survey, Australian population 14+ (Internet banking services via website or mobile app).

Description of Business Environment

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

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

Our people

Our goal is to be in the top 10% globally for our employee engagement score. As a sign of how important these outcomes are, employee engagement has been incorporated as a long-term variable remuneration performance measure for the CEO and Group Executives. Employees participate in a survey called Your Voice twice per year. The survey measures our progress on embedding our values, and employee engagement, through an Employee Engagement Index ("EEI") score. The EEI score is based on responses to questions relating to satisfaction, commitment, advocacy and pride. According to our most recent EEI score, overall employee engagement has declined to 72%. This is a reduction of 1% from 73%, recorded in September 2017.

Our shareholders

The Bank has historically delivered consistently strong Total Shareholder Returns ("TSR"). Our aim is to deliver sector-leading returns and a stable dividend stream. We seek to achieve this by focusing on both operating performance and capital generation. The Bank seeks to pay cash dividends at strong and sustainable levels. This year 80% of profits are being returned to shareholders as dividends (75% excluding the impact of the AUSTRAC civil penalty). The CET1 ratio is an important measure of the Bank's ability to absorb unexpected losses. It compares a bank's core capital with its risk weighted assets. APRA requires the major Australian banks to have a CET1 ratio of 10.5% or more by 1 January 2020. We are on track to meet this requirement. As at 30 June 2018 our CET1 ratio was 10.1% on an APRA basis. The Bank aims for long-term, sustainable outperformance on TSR, because TSR combines both share price appreciation and dividends paid and shows the total return to shareholders over time. Return on equity is an important measure of the Bank's profitability. It represents the net profit generated as a percentage of the equity shareholders have invested. ROE remains strong at 14.1%, though has declined in recent years due primarily to regulatory requirements for higher levels of capital.

Simplify our business

To simplify our business and allow us to focus on our core banking businesses, we have announced our intention to demerge our wealth management and mortgage broking businesses. This will create a new, leading wealth management and mortgage broking company ("NewCo"), which will be listed on the Australian Securities Exchange. Shares in the new listed company will be allocated to our shareholders in proportion to their ownership of CBA shares. NewCo will be made up of Colonial First State, Colonial First State Global Asset Management ("CFSGAM"), our third-party distribution businesses – Count Financial, Financial Wisdom, Aussie Home Loans – and our minority shareholdings in CountPlus and Mortgage Choice. The demerger will enable NewCo to pursue growth and investment decisions appropriate for its business. We expect to implement the demerger in 2019, subject to shareholder and various regulatory approvals. NewCo is included in continuing operations. We are making progress on divesting our life insurance businesses, with Sovereign already divested and the divestments of CommInsure Life and BoComm Life subject to regulatory approvals. PT Commonwealth Life is under strategic review. Also under strategic review are our general insurance business and our stake in Vietnam International Bank.

The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments.

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

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

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

History and Ownership

Commonwealth Bank of Australia was incorporated as a public company on 17 April 1991 in the Australian Capital Territory after being established in 1911 by a Commonwealth Act of Parliament. Commonwealth Bank is governed by, and operates in accordance with, its Constitution, the Corporations Act and the Listing Rules of the Australian Securities Exchange (which constitute the corporate governance regime of Australia), and certain provisions of the Commonwealth Banks Act 1959 of the Commonwealth of Australia.

The Commonwealth Bank was fully privatised in three stages from July 1991 to July 1996.

On 13 June 2000, Commonwealth Bank and Colonial Limited completed their merger.

On 22 August 2000, Commonwealth Bank purchased the 25 per cent non-controlling interest in ASB Holdings Limited in New Zealand giving Commonwealth Bank a 100 per cent interest in ASB Bank Limited and its subsidiaries.

Commonwealth Bank became the successor in law to the State Bank of New South Wales (known as Colonial State Bank) and to all the assets and liabilities of State Bank of New South Wales effective on 4 June 2001 pursuant to legislation.

On 19 December 2008, the Bank acquired 100 per cent of Bank of Western Australia Ltd (Bankwest) from HBOS plc.

Australia

Australia has an open, market-based economy and is a net importer of capital. The financial sector plays a vital role in supporting the Australian economy to facilitate sustainable growth in the economy by meeting the financial needs of its users.

Description of Business Environment

Financial Services

Australia has a sophisticated financial services sector with financial services providers offering a wide range of products and services across retail, business and institutional banking, funds management, superannuation, insurance, risk management and equities trading. The Australian financial system consists of the arrangements covering the borrowing and lending of funds and the transfer of ownership of financial claims in Australia, comprising:

- authorised deposit-taking institutions (“ADIs”) or financial institutions, comprising banks, credit unions and building societies;
- insurance (life and general);
- superannuation;
- financial markets - debt, equity and derivative markets; and
- payment systems - cash, cheques, electronic payments, funds transfers settlements and other high-value payment systems.

Banking

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

Funds Management

On 25 June 2018 CBA announced its intention to demerge its wealth management and mortgage broking businesses. The implementation of the demerger is subject to final CBA board, shareholder and regulatory approvals under a scheme of arrangement.

Domestic markets rose during the 2018 financial year, with the average ASX 200 up 6%, with performance of offshore markets (average MSCI GBP up 15%) contributing to an improved result. The long-term growth outlook of the Australian funds management industry is positive, underpinned by the increase in compulsory superannuation contributions from 9.5% to 12% by the 2026 financial year. Global funds management market growth is driven by government policy shifts to individual retirement plans and the increase of high net worth individuals particularly from developing countries.

Australia’s aging population and the need for income streams for retirement is expected to drive demand for products which address market volatility, inflationary threats and longevity risks.

Margin pressure within the domestic funds management industry is expected to continue as a result of changing investor product preferences which may reduce revenue. Regulatory changes impacting the funds management industry have the potential to increase capital requirements and associated costs.

General Insurance

On 25 June 2018 CBA announced its intention to demerge its wealth management business and mortgage broking businesses, and as part of this demerger CBA will undertake a strategic review of its general insurance business, including a potential sale. The manufacturers in General Insurance are investing in capabilities to improve both the end to end customer experience and overall efficiency of their operations. Loss ratios of General Insurance have improved in the 2018 financial year due to a lower number of significant weather events.

Life Insurance (Discontinued Operations)

On 21 September 2017 CBA announced the sale of CommInsure Life to AIA. The Australian Life insurance market is undergoing transformation, largely driven by regulatory change in superannuation and distribution channels as well as a greater emphasis on technology, digital and data capabilities. Advice-based industry product profitability, notably Income Protection products, is being impacted by rising loss ratios.

New Zealand

The Group's banking activities in New Zealand are conducted by ASB Bank and also by the New Zealand branch of CBA.

Competition

Competitive Landscape

The Australian domestic competitive landscape includes four large domestic banks, mid-tier banks, non-bank financial institutions, foreign banks, investment banks, fund managers, insurance companies, brokers and third party distributors.

The four largest domestic banks in the sector are the Australian banks ANZ, CBA, NAB and Westpac. The major Australian banks are known as the "big four" and are referred to as the pillars of Australia's financial system. The Government's Four Pillars Policy prohibits mergers between the big four. The major Australian banks each offer a full range of financial products and services through branch networks, digital channels and third party intermediaries across Australia. Other participants in the financial services industry offer focused products and services or service specific customer segments.

Technology is providing opportunities for both new entrants and existing participants. However the major Australian banks invest extensively in technology with customer offerings that support customer’s financial needs in an increasingly digital environment and increase efficiency in the Australian banking system.

Financial Strength

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

We strive to build and defend a strong and dependable franchise, and closely manage the business for superior financial and operational outcomes. As at 30 June 2018, we are one of the largest companies (by market capitalisation) on the ASX, and are listed on the MSCI World Index.

We aim to provide our shareholders with stable returns, which are achieved through a resilient balance sheet and rigorous management of capital, funding and liquidity levels. As one of Australia’s largest employers and corporate taxpayers, and with millions of Australians owning nearly 80% of the Bank, we are proud of the contribution we make to the Australian economy.

Description of Business Environment

Financial System Regulation in Australia

On 9 May 2018 the Australian Federal Government announced a package of banking reform measures to enhance accountability and competition in the sector. This included the development of a new Banking Executive Accountability Regime ("BEAR"). Many of the reforms in this package have been implemented, including BEAR, or are currently under consultation.

Australia has, by international standards, what is recognised as a high quality financial system which aims to regulate financial products and services consistently, regardless of the type of financial institutions providing them.

The main regulators of financial services in Australia are the RBA, APRA, ASIC, AUSTRAC and the Australian Competition and Consumer Commission ("ACCC").

Each agency has system-wide responsibilities for the different objectives of government oversight of the financial system. A description of these agencies and their general responsibilities and functions is set out below.

The RBA is responsible for monetary policy, financial system stability and regulation of the payments system.

APRA has responsibility for the prudential supervision of banks, building societies and credit unions, life and general insurance companies, friendly societies and superannuation funds (pension funds). Unless an institution is authorised under the Banking Act or exempted by APRA, it is prohibited from engaging in the general business of deposit-taking.

ASIC has responsibility for regulating and enforcing Company and financial services laws that protect consumers, investors and creditors, including the Corporations Act. The Corporations Act provides for a single licensing regime for sales, advice and dealings in financial products and services, consistent and comparable financial product disclosure and a single authorisation procedure for financial exchanges and clearing and settlement facilities. ASIC is also responsible for the National Consumer Credit Protection Act and the responsible lending framework it imposes upon credit providers.

The ACCC promotes competition and fair trade to benefit consumers, business and the community through the administration of the Competition and Consumer Protection Act 2010. AUSTRAC has responsibility for overseeing compliance with the Anti-Money Laundering and Counter Terrorism Financing Act 2006 and the Financial Transaction Reports Act 1988.

Australia implements United Nations Security Council ("UNSC") sanctions regimes and Australian autonomous sanctions regimes under Australian sanction laws. UNSC sanctions regimes are primarily implemented under the Charter of the United Nations Act 1945 (the "United Nations Act") and its sets of regulations. There is a separate set of regulations under the United Nations Act for each UNSC sanctions regime.

Australian autonomous sanctions regimes are primarily implemented under the Autonomous Sanctions Act 2011 (the Autonomous Act) and the Australian Autonomous Sanctions Regulations 2011. There is only one set of regulations under the Autonomous Act. The Department of Foreign Affairs and Trade ("DFAT") administers the United Nations Act, the Autonomous Act and their regulations.

Description of Business Environment

Financial System Regulation in the United States

In October 2016, we elected to be treated as a Financial Holding Company ("FHC") by the Federal Reserve Board in the United States ("FRB"). The FRB is the "umbrella" supervisor with jurisdiction over FHCs, including us. A FHC is allowed to engage, or acquire companies engaged, in the United States in activities that are determined by the FRB and the Secretary of the Treasury to be financial in nature or incidental thereto, and activities that are determined by the FRB to be complementary to financial activities.

Under the Bank Holding Company Act of 1956 ("BHC Act"), the activities of a FHC are subject to restrictions if it is determined that the FHC (in our case, at the Group level) ceases to be "well managed" or "well capitalized" or is the subject of an enforcement action requiring it to maintain a specific level of capital.

We are subject to U.S. federal laws and regulations, including the International Banking Act of 1978 ("IBA"). Under the IBA, all branches and agencies of foreign banks in the United States are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by U.S. bank holding companies. As a federally licensed branch regulated primarily by the Office of the Comptroller of the Currency ("OCC"), the Group's New York branch can generally engage in activities permissible for national banks, with the exception that the Group's New York branch may not accept retail deposits. The New York branch does not accept retail deposits and thus is not subject to the supervision of or insured by the Federal Deposit Insurance Corporation ("FDIC").

Most U.S. branches and agencies of foreign banks, including the Group's New York branch, are subject to reserve requirements on deposits pursuant to regulations of the FRB. The Group's New York branch must maintain its accounts and records separate from those of the Group generally and must comply with such additional requirements as may be prescribed by the OCC. The IBA and the BHC Act also affect the Group's ability to engage in non-banking activities in the United States.

Under the IBA, a federal branch of a non-U.S. bank is subject to receivership by the OCC to the same extent as a national bank. The Comptroller may take possession of the business and property of a federal branch. The Comptroller has at its disposal a wide range of supervisory and enforcement tools for addressing violations of laws and regulations, and breaches of safety and soundness, which can be imposed upon federal branches. The Comptroller may remove federal branch management and assess civil money penalties. In certain circumstances, the Comptroller may also terminate a federal branch license at its own initiative or at the recommendation of the FRB.

The Group is subject to certain provisions of the Dodd-Frank. Dodd-Frank regulates many aspects of the business of banking in the United States and internationally. At this time, Dodd-Frank has not had a material effect on the Group's operations, though the ongoing development and monitoring of required compliance programs may require the expenditure of resources and management attention.

The "Volcker Rule" adopted under Dodd-Frank prohibits banks and their affiliates from engaging in certain "proprietary trading" (but allows certain activities such as underwriting, market making-related and risk-mitigating hedging activities) and limits the sponsorship of, and investment in, private equity funds and hedge funds, subject to certain important exceptions and exemptions, including those listed above as well as exemptions applicable to certain transactions and investments occurring solely outside of the United States.

Other Dodd-Frank regulations impose minimum margin requirements on uncleared swaps, require the centralized execution and clearing of many categories of standardized over-the-counter ("OTC") derivatives on regulated trading platforms and clearing houses and provide for heightened supervision of OTC derivatives dealers and major market participants. To date, the U.S. Commodity Futures Trading Commission ("CFTC") has implemented a substantial majority of its rules for the regulation of the OTC swaps market, including rules concerning the registration of swap dealers, recordkeeping and reporting of swaps data, and the clearing and trading of certain interest-rate and index credit default swaps. Because we are a provisionally registered swap dealer under the CFTC regulations, the Group is subject to these CFTC requirements as well as certain additional business conduct rules that apply to the Group's swap transactions with counterparties that are U.S. persons.

The CFTC has issued Cross-Border Guidance which, among other things, provides guidance as to the circumstances in which non-U.S. swap dealers, such as us, will not be subject to the CFTC's rules when dealing with non-U.S. counterparties. The Cross-Border Guidance establishes a framework for the CFTC to permit "substituted compliance" by swap dealers located in non-U.S. jurisdictions with non-U.S. regulatory schemes determined by the CFTC to be comparable to its own. The CFTC has made such a determination with respect to certain aspects of Australian law and regulation and we are able to rely on substituted compliance with respect to certain aspects of CFTC rules in connection with transactions with non-U.S. counterparties. The CFTC may issue further guidance in the future that could expand or limit the existing substituted compliance regime.

In particular, the CFTC has indicated that swap dealers will be required to comply, and has issued proposed rules that would require compliance with the CFTC's rules, without substituted compliance, in connection with transactions between the Group and a non-U.S. counterparty, if the transaction is "arranged, negotiated or executed" through personnel located in the U.S. It is unclear whether the CFTC will implement this requirement and whether (and the extent to which) it will affect our business.

As CBA is supervised by the Federal Reserve and operates a NY branch that is regulated by the OCC, we need to comply with the uncleared swap margin rules promulgated by the Board of Governors of the Federal Reserve System, Farm Credit Administration, Federal Deposit Insurance Corporation, Federal Housing Financial Agency and Office of the Comptroller of the Currency. Under these rules, the requirement to collect and post variation margin in respect of in-scope trading with in-scope counterparties arose on March 1, 2017.

The compliance date was effectively extended with respect to certain swap entities through guidance issued by the regulators, and compliance became mandatory for those swap entities on September 1, 2017. The CFTC has proposed rules that would impose position limits on (1) futures and options contracts on specified physical commodities and (2) swaps that are “economically equivalent” to such contracts. The Group would be subject to any such rules that are adopted by the CFTC, which could limit the Group’s trading activities.

Dodd-Frank also requires us to submit an annual U.S. resolution plan to the FRB and the FDIC for approval. We submitted our most recent annual U.S. resolution plan in December 15, 2016. We are also subject to “enhanced prudential regulations” under Reg. YY, Subpart N (effective July 1, 2016), which require quarterly and annual certification of compliance with the financial and risk oversight requirements thereof.

In 2010, the U.S. enacted the Foreign Account Tax Compliance Act (“FATCA”) that requires non-U.S. banks and other financial institutions to undertake specific customer due diligence and provide information on account holders who are U.S. citizens or residents to the United States Federal tax authority, the Internal Revenue Service (“IRS”). The United States has entered into intergovernmental agreements (“IGAs”) with a number of jurisdictions (including Australia and New Zealand) which generally require such jurisdictions to enact legislation or other binding rules pursuant to which local financial institutions and branches provide such information to their local revenue authority to then forward to the IRS. In countries that have not entered into such an agreement, the financial institution must enter into an agreement directly with the IRS to complete similar obligations and provide similar information directly to the United States. If the aforementioned customer due diligence and provision of account holder information is not undertaken and provided in a manner and form meeting the applicable requirements, the Group and/or persons owning assets in accounts with Group members may be subjected to a 30 per cent withholding tax on certain amounts. While such withholding tax may currently apply only to certain payments derived from sources within the United States (and, beginning on January 1, 2019, certain gross proceeds from the disposition of assets that can give rise to such U.S. source payments), no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to January 1, 2019, at the earliest. Australia and New Zealand have each signed an IGA with the United States and have enacted legislation to implement their respective IGAs. Local guidance in relation to the enacted legislation is still evolving.

In addition to FATCA, the U.S. may require the Group in certain circumstances to provide certain information to U.S. payers (withholding agents, custodians, etc.), and the Group may face adverse consequences in case it does not provide such information in compliance with the applicable rules and regulations. A major focus of U.S. governmental policies affecting financial institutions has been combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the "Patriot Act") substantially broadened the scope of U.S. anti-money laundering laws by imposing significant compliance and due diligence obligations, identifying crimes and stipulating penalties and expanding the extra-territorial jurisdiction of the U.S. The U.S. Treasury Department has issued a number of regulations implementing various requirements of the Patriot Act that apply to U.S. financial institutions, including subsidiaries and branches of foreign banks such as our U.S. broker-dealer subsidiary and our New York branch.

Those regulations require financial institutions operating in the United States to maintain appropriate policies, procedures and controls to detect, prevent, and report money laundering and terrorist financing and to verify the identity of their customers. In addition, the U.S. bank regulatory agencies are imposing heightened standards and U.S. law enforcement authorities have been taking a more active role, resulting in intensified enforcement of such matters. Recent resolutions involving other global financial institutions have involved the payment of substantial penalties, agreements with respect to future operation of their business and actions with respect to relevant personnel. Failure of a financial institution to maintain and implement adequate policies and procedures to combat money laundering and terrorist financing could have serious legal and reputational consequences for the financial institution, as well as result in the imposition of civil, monetary and criminal penalties.

Description of Business Environment

Supervisory Arrangements

The Bank is an ADI under the Banking Act and is subject to prudential regulation by APRA.

In carrying out its prudential responsibilities, APRA closely monitors the operations of banks to ensure that they operate within the prudential framework and that sound management practices are followed.

APRA's broader supervision program includes a combination of on-site thematic reviews, regular engagement with the Board and senior management of individual institutions, prudential consultations and reviews of regular statistical returns reported by individual institutions.

In addition, APRA has established arrangements under which each bank's external auditor reports to APRA regarding observance of Prudential Standards and other supervisory requirements.

The prudential framework applied by APRA is embodied in a series of Prudential Standards and other requirements including:

(i) Capital, Funding and Liquidity

APRA has approved the Group's application to use the advanced internal ratings-based approach to credit risk and the advanced measurement approach to operational risk for the purposes of calculating capital requirements under the Basel III Framework.

Details of the Group's regulatory capital position and capital management activities are disclosed in Note 8.1 to the 2018 Financial Report.

APRA's prudential guidance for liquidity risk management requires ADIs to maintain a liquidity risk management policy, governance and management framework and funding strategy that complies with the requirement to prudently manage all liquidity risks. The Group's liquidity risk management policy requires an appropriate level of high quality liquid assets be held to support cash outflows in both business as usual and stress conditions.

The Group has three categories of liquid assets within its 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 certain 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.

The Group has been required to meet a LCR since 1 January 2016 and revised definitions of eligible High Quality Liquid Asset holding requirements within these changes. More details on the Group's liquidity and funding risks are provided in Note 9.4 to the 2018 Financial Report.

(ii) Large Credit Exposures

APRA requires banks to ensure that, other than in exceptional circumstances, individual credit exposures to non-bank, non-government clients do not exceed 25% of the bank's regulatory capital base. Exposure to unrelated ADIs is not to exceed 50% of the capital base. Prior approval must be obtained from APRA if a bank intends to exceed these thresholds. For information on the Group's large exposures refer to Note 9.2 to the 2018 Financial Report.

(iii) Ownership and Control

In pursuit of transparency and risk minimisation, the Financial Sector (Shareholdings) Act 1998 embodies the principle that regulated financial institutions should maintain widespread ownership. The Act applies a common 15% shareholding limit for ADIs, authorised insurance companies and their holding companies.

The Commonwealth Treasurer has the power to approve acquisitions of a stake of more than 15% in Australian financial sector companies. The Treasurer may also delegate approval powers to APRA where one financial institution seeks to acquire another.

The Government's present policy is that mergers among the four major banks will not be permitted until the Government is satisfied that competition from new and established participants in the financial industry has increased sufficiently.

Proposals for foreign acquisition of Australian banks are subject to approval by the Treasurer under the Foreign Acquisitions and Takeovers Act 1975.

(iv) Banks' Association with Related Entities

There are formal guidelines (including maximum exposure limits) that control investments and dealings with subsidiaries and associates. APRA has expressed an unwillingness to allow subsidiaries of a bank to exceed a size which would endanger the stability of the parent.

(v) Fit and Proper and Governance

ADIs are subject to APRA's "Fit and Proper" and "Governance" Prudential Standards. ADIs are required to maintain a Board approved Fit and Proper policy relating to the fitness and propriety of their responsible persons, which include the Directors and designated members of senior management. ADIs also have to comply with APRA's "Governance" Prudential Standard, which sets out requirements for Board size and composition, independence of directors, remuneration policy and other governance matters.

(vi) Supervision of Non-Bank Group Entities

The Australian life insurance company subsidiaries, general insurance company subsidiaries and the superannuation trustees of the Group also come within the supervisory review of APRA. For further details please refer to "General Insurance and Wealth Management Regulation" below.

General Insurance and Wealth Management Regulation

The Group conducts general insurance business, funds management, asset management, custodial services, investor directed portfolio services, financial advice and superannuation ("trustee") businesses through its Wealth Management division. The key regulators for the Group's continuing wealth management businesses are APRA and ASIC. The Group's general insurance and superannuation businesses are required to comply with relevant legislations including, the Insurance Act 1973 and the Superannuation Industry (Supervision) Act 1993. They are also required to comply with APRA's Prudential Standards. These standards cover, amongst others, capital adequacy, governance and risk management and reporting standards. The Group's continuing wealth management and Australian general insurance businesses are also governed by the Corporations Act, which is administered by ASIC. The Group determines capital requirements for its general insurance business in accordance with APRA Prudential Standards.

The Group's licensed superannuation trustees are subject to APRA's prudential standards. Responsible entities that operate funds management businesses are subject to ASIC financial requirements. For those entities that are both responsible entities and licensed superannuation trustees, these additional ASIC financial requirements apply.

The Group's financial advice businesses are licensed and regulated by ASIC.

Discontinued operations – Life Insurance

On 21 September 2017 CBA announced the sale of its Australian and New Zealand life businesses to AIA Group Limited. The sale of the Group's life insurance business in New Zealand completed on 2 July 2018, with the sale of the Australian life business still to complete.

The Australian life insurance business is supervised by APRA and is required to comply with the Life Insurance Act 1995. The business is also governed by the Corporations Act, which is administered by ASIC. Capital requirements are determined in accordance with APRA Prudential Standards.

Description of Business Environment

Legal Proceedings

Other than as disclosed elsewhere in this Document, the Group is not engaged in any litigation or claim which is likely to have an adverse effect on the Group's business, reputation, results of operations or financial condition. For all litigation exposure where some loss is probable and can be reliably estimated an appropriate provision has been made.

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

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

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

On 20 June 2018 the Federal Court of Australia approved the agreement between CBA and AUSTRAC to resolve the civil penalty proceedings commenced by AUSTRAC on 3 August 2017. Accordingly, CBA has recognised a A$700 million expense in its financial statements for the full year ended 30 June 2018.

Additionally, as part of the agreement with AUSTRAC, CBA admitted to:

- the late filing of 53,506 Threshold Transaction Reports for cash deposits through IDMs;
- inadequate adherence to risk assessment requirements for IDMs on 14 occasions;
- transactions monitoring did not operate as intended in respect of a number of accounts between October 2012 and October 2015;
- 149 Suspicious Matter Reports were filed late or were not filed as required; and
- ongoing customer due diligence requirements were breached in respect of 80 customers.

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

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

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

The Group may in the future be subject to additional regulatory actions, litigation, investigations and governmental proceedings emanating from the conduct the subject of the proceedings, which could result in penalties and costs, reputational damage, contractual damage claims, class actions or other claims by impacted CBA stakeholders, which could have a material adverse effect on the Group's business, reputation, results of operations and financial condition.

Although CBA provides updates to AUSTRAC and the Group's other regulators on the Program of Action, there is no assurance that AUSTRAC or the Group's other regulators will agree that the Group's Program of Action will be adequate or that the Program of Action will effectively enhance the Group's compliance programs.

On 11 August 2017, following the commencement of the civil proceedings against CBA by AUSTRAC, ASIC confirmed it would investigate CBA's disclosure in respect of the allegations raised in connection with the AUSTRAC proceedings. ASIC is investigating, among other things, whether the officers and directors at CBA complied with their continuous disclosure obligations under the Corporations Act. CBA continues to engage with ASIC in respect of the investigation and respond to requests made by ASIC. It is currently not possible to predict the ultimate outcome of this investigation, if any, on CBA. CBA has provided for the costs expected to be incurred in relation to this investigation in its financial statements for the full year ended 30 June 2018.

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

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

CBA has entered into an Enforceable Undertaking under which CBA's remedial action in response to the Final Report would be agreed and monitored regularly by APRA.

On 29 June 2018 CBA announced that APRA had endorsed CBA's Remedial Action Plan, which details CBA's response to the 35 recommendations of the Prudential Inquiry, released on 1 May 2018. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan provides a comprehensive assurance framework, with Promontory Financial Group having been appointed as the independent reviewer. The

Description of Business Environment

Group has provided for costs expected to be incurred in relation to the conduct of the Prudential Inquiry in its financial statements for the full year ended 30 June 2018.

While CBA is not currently aware of any other investigation or enforcement action by other domestic or foreign regulators relating to the allegations raised by AUSTRAC (or similar matters) as of the date of this Document, there can be no assurance that CBA will not be subject to such investigations or enforcement actions in the future. The settlement in connection with the proceedings launched by AUSTRAC, or any other formal or informal proceeding or investigation by other government or regulatory agencies (domestic or foreign), may result in additional litigation, investigations or proceedings by other regulators or private parties.

This risk is evidenced by the shareholder class action proceeding related to the AUSTRAC proceedings which was commenced in the Federal Court of Australia in Melbourne on 9 October 2017 (the "Shareholder Class Action"). The Shareholder Class Action was filed by law firm Maurice Blackburn on behalf of shareholders who acquired an interest in CBA's ordinary shares between 1 July 2015 and 1:00 p.m. (Australian Eastern Standard Time) on 3 August 2017 (the "Relevant Period"), and who suffered loss or damage as alleged in the Shareholder Class Action (the "Group Members").

The Shareholder Class Action alleges that CBA, whose ordinary shares are publicly traded on the ASX, breached its obligations under the Corporations Act and ASX Listing Rules to disclose information to the ASX concerning CBA that a reasonable person would expect to have a material effect on the price or value of CBA's ordinary shares ("Continuous Disclosure Obligation"). Specifically, the Shareholder Class Action alleges that CBA should have disclosed on and from 1 July 2015 certain of the matters that form the basis of the AUSTRAC proceedings. The Shareholder Class Action further alleges that during the Relevant Period CBA made misleading or deceptive public statements regarding compliance with its obligations under applicable anti-money laundering laws and its Continuous Disclosure Obligation in violation of applicable Australian laws.

The Shareholder Class Action alleges this conduct caused CBA's ordinary shares to trade at prices higher than they would have otherwise traded during the Relevant Period and sets forth various bases for how any losses could be calculated. The Shareholder Class Action notes that the particulars of the alleged losses or damages of the Group Members are not currently known and cannot be known until after the determination of identified common issues at an initial trial.

A similar subject matter shareholder class action was filed on 29 June 2018 by law firm Phi Finney McDonald on behalf of a group of shareholders who acquired an interest in CBA's ordinary shares between 16 June 2014 and 3 August 2017.

CBA intends to vigorously defend both shareholder class actions. At this time it is not possible to reliably estimate the possible financial impact on the Group of class actions. Accordingly, no loss provision has been made, although CBA has provided for legal costs expected to be incurred to defend these claims.

Aussie Home Loan Acquisition

On 25 August 2017, the Group acquired the remaining 20% of the issued share capital of AHL Holdings Pty Limited ("AHL") for $164 million purchase consideration in the form of CBA shares. Following acquisition of the remaining 20% issued share capital of AHL, the Group controls and consolidates AHL. AHL is the parent of the "Aussie" group of entities. Aussie predominantly operates as a mortgage broker and originator. The acquisition of AHL will expand the Group's distribution network through its access to the mortgage broker channels. Further information on the acquisition of AHL is set out in Note 11.4 of the 2018 Financial Report.

Critical Accounting Policies and Estimates

Where applicable, each note in the 2018 Financial Report discloses the accounting policy for the transactions and balances, which provides information to assist in the understanding of how the numbers are measured, recognised and disclosed. The application of the Group's accounting policies requires the use of judgement, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and are reviewed on an ongoing basis. Actual results may differ from these estimates, which could impact the Group's net assets and profit.

Any critical accounting judgements and estimates applied by the Group in determining the numbers are also disclosed in each note in the 2018 Financial Report where applicable.

Remuneration of Auditors

Disclosure of the Remuneration of Auditors is set out in Note 12.4 to the 2018 Financial Report.

Corporate Governance

Corporate Governance

The Commonwealth Bank of Australia ("Bank") is committed to creating long-term value sustainably through improving the financial wellbeing of its customers and communities. Strong corporate governance is critical in supporting the Bank to fulfil this purpose.

The Bank's corporate governance arrangements and practices are regularly refined in light of new laws, evolving stakeholder expectations and the dynamic environment in which the Bank operates. However, recent regulatory and reputational matters have revealed that more is required to meet the high standards of governance that the Bank strives for.

The Bank is focused on strengthening its governance to achieve better customer and risk outcomes. The Bank is determined to earn back stakeholder trust.

This Statement describes the key governance arrangements and practices of the Bank and its related corporate bodies ("Group"). These arrangements and practices followed the recommendations set out in the third edition of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* ("Recommendations") during the year ended 30 June 2018. The Statement also highlights some important actions taken during the year to enhance the Bank's governance.

The Statement has been approved by the Bank's Board and is current as at 8 August 2018.

2018 governance priorities

During the 2018 financial year, the Board's governance priorities were:

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

A summary of how the Bank is reshaping its culture, strengthening risk management and engaging with stakeholders follows, together with a summary of the roles and responsibilities of the Board, its Committees and the CEO. The Board's approach to its composition and to enhancing its effectiveness are also outlined below.

Culture

The Bank is focused on shaping a more accountable culture that not only supports the achievement of business strategies, but also drives decisions that are lawful, ethical and responsible, and that lead to better customer and risk outcomes. The Board acknowledges that community confidence in the Bank depends on this.

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

The Board monitors the Bank's culture and management's cultural change initiatives through information from employee surveys, compliance reports, whistleblower reports and various other sources.

Purpose and values

During the financial year, leadership actions aimed at reshaping the Bank's culture included:

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

The Bank's purpose is to improve the financial wellbeing of our customers and communities**.** The restated values are:

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

The simplified purpose statement and value expectations are being reinforced across the Bank through various communication channels. Significantly, conduct is formally assessed with respect to the Bank's values, risk and KPIs during employee performance reviews. Performance reviews are instrumental in reward and promotion outcomes. Other mechanisms are also used to reinforce the desired culture, including policies, processes and training.

Accountability reinforced through pay outcomes

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

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

Policies

The Bank's policies play a central role in setting decision-making rights and conduct expectations across the Group. We are strengthening the governance of our policies, as well as making them simpler and easier to understand. Key policies imposing conduct standards are set out below.

Code of conduct

The Bank's code of conduct, titled 'Our Commitments', articulates the standards of behaviour expected of our people, including Directors, senior executives and employees, when engaging with, and balancing the interests of, the Bank's stakeholders. The Code includes 'Guidelines' to assist our people to understand, practice and demonstrate the Bank's values.

An evolved Group Code of Conduct will be launched in the coming months and will outline how we are to act, solve problems and make decisions. The Code will reinforce that our people are accountable for their actions and decisions, and are expected to commit to doing what is right and to high standards of business conduct.

Whistleblower protection

The Bank is committed to a culture that encourages our people and others to speak up about issues or conduct that concerns them.

The Group Whistleblower Policy outlines the actions taken to protect a whistleblower from any retaliation or victimisation, including protection from termination of employment, harassment and discrimination. It is aligned with the Australian Bankers' Association's 'Guiding Principles – Improving Protections for Whistleblowers'.

The Bank also has:

- a Whistleblower Protection Officer, whose role includes overseeing the protection of whistleblowers;
- a Misconduct Governance Committee, which includes four Group Executives, to oversee the effectiveness of the whistleblower program; and
- a SpeakUP Hotline, which provides an avenue for our people and anyone who works with the Group to report issues, including anonymously.

Additionally, disclosures may be made directly to a regulator in accordance with any relevant law, regulation or prudential standard at any time.

Anti-bribery and corruption

The Bank is committed to embedding a zero appetite culture for bribery, corruption and facilitation payments across our business. An Anti-Bribery and Corruption Policy requires all parts of the Group to:

- consider, identify and understand the bribery and corruption risks arising within their operations;
- apply controls to those risks and monitor key risk indicators;
- implement an assurance program to test the control environment's ongoing effectiveness under the policy; and
- ensure transparency in their dealings and to conduct appropriate due diligence on their business partners.

Conflicts of interest

The Bank's Conflicts of Interest Policy is designed to ensure that actual, perceived or potential conflicts of interests are identified, managed or prevented. The policy outlines the organisational and administrative arrangements that have been put in place to support the identification and management of conflicts of interest.

Securities trading

The Group Securities Trading Policy sets out when our people and their associates may deal in Group securities.

The policy prohibits:

- dealing in Group securities when in possession of inside information; and
- hedging, or otherwise limiting economic risk, in relation to unvested rights or shares acquired under any of the Group's employee incentive plans.

It also prohibits certain specified persons and their associates from dealing in securities issued by the Bank or any Group subsidiary, except during limited 'trading windows'. Those windows generally include the thirty days after half-year and full-year results announcements, and the fourteen days after quarterly trading update releases.

Slavery and human trafficking

During the 2018 financial year, the Group published its second Slavery and Human Trafficking Statement which disclosed the actions taken by the Group to prevent slavery and human trafficking in our business and supply chain during the year ended 30 June 2017. The statement is intended to comply with the requirements of the UK Modern Slavery Act.

Risk Management and Assurance

The Group is exposed to both financial and non-financial risks, and is committed to having risk management policies, processes and practices that support a high standard of governance. This enables management to undertake prudent risk-taking activities.

Risk Framework

The Group's Risk Management function has designed, and oversees implementation of, a Risk Management Framework ("Risk Framework") to allow the Group to manage risks within a Board-approved risk appetite.

The Risk Framework covers all systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and control or mitigate both internal and external sources of material risk. It incorporates three key documents:

- Group Risk Appetite Statement ("RAS"): which articulates the type and degree of risk the Board is prepared to accept ('risk appetite') and the maximum level of risk within which the Group must operate for each risk type ('risk tolerances');
- Group Risk Management Approach ("RMA"): which describes how the Group ensures the comprehensive management of risks across the Group in support of achieving its strategic goals; and
- Group Business Plan: which summarises the Group's approach to implementing its strategic objectives. The plan has a rolling three year duration and takes into consideration material risks arising from its implementation.

The Risk Framework is overseen by the Board with the assistance of the Risk and Audit Committees. The Risk Committee also monitors the Group's risk profile and risk appetite. Additionally, an annual declaration is made by the chairs of the Board and Risk Committee to APRA on risk management as required under the prudential standards. During the 2018 financial year, the Board undertook its annual review of the Risk Framework and discussed key areas of focus for improvement. This occurred as part of the Board's consideration of the risk management declaration it provided to APRA.

The Risk Framework is regularly reviewed in light of emerging risks arising from the changing business environment, better practice approaches, and regulatory and community expectations.

Remedial Action Plan

Following publication in April 2018 of the APRA Prudential Inquiry Report ("Inquiry Report"), the Bank committed to implement all of its recommendations. Addressing the findings of the report is a key focus for the Board and management.

The Bank has a Remedial Action Plan in place to address the 35 recommendations outlined in the Inquiry Report. The plan was endorsed by APRA on 29 June 2018. A number of these changes will strengthen the Risk Framework, particularly in respect of operational risk and compliance risk management.

Progress has already been made in executing against the plan, including by:

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

There are a number of material strategic risks, including economic, environmental and social sustainability risks that could adversely affect the Group and the achievement of its objectives.

Financial crime compliance

The Bank is committed to building on the significant changes made in recent years as part of a comprehensive program to improve operational risk management and compliance at the Bank.

The Bank continues to make significant investment in AML/CTF compliance, including upgrading and enhancing our AML/CTF technology, updating our process documentation, investing in further resourcing and strengthening training of our personnel.

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

Internal audit

The Group has an Internal Audit team that, together with the Credit Portfolio Assurance team, forms the Group Audit and Assurance ("GA&A") function.

GA&A's role is to provide independent and objective assurance and related consulting services to management and the Audit Committee, maximising shareholder value through improvement of the Group's risk management, control and governance processes.

GA&A is structured to be independent of management, with the most senior GA&A executive, the Group Internal Auditor, reporting functionally to the Audit Committee and administratively to the Group Chief Financial Officer ("CFO"). The Group Internal Auditor may only be appointed or dismissed with the Audit Committee's approval. The Group Internal Auditor has free and unrestricted access to all of the Group's information, people, property and records to discharge GA&A's role.

GA&A's responsibilities include:

- developing a risk-based annual Audit Plan for the Audit Committee's approval and adjusting that plan where necessary to reflect current and emerging risks;
- executing the approved plan in line with relevant GA&A methodologies and reporting the results of its work to management and the Audit Committee; and
- escalating to management and the Audit Committee, as appropriate, instances where GA&A believes that management has accepted a level of risk in excess of the business area's approved risk appetite. The Group Internal Auditor also monitors and reports on progress in attending to significant control and risk issues.

External auditor

PricewaterhouseCoopers ("PwC") was appointed as the Group's external auditor ("External Auditor") at the 2007 Annual General Meeting ("AGM"), effective from 1 July 2007. The External Auditor provides an independent opinion on whether, among other things, the Group's financial report provides a true and fair view of the Bank and Group's financial position and performance.

In line with legislation promoting auditor independence, the Group requires rotation of PwC's lead audit partner after the audit of five successive financial years. In compliance with this requirement, PwC rotated a new audit partner to lead the external audit of the Group's financial report for the 2018 financial year.

The Group and its External Auditor must comply with Australian and United States auditor independence requirements. United States Securities and Exchange Commission rules apply to various activities the Group undertakes in the United States, even though the Bank is not registered under its Exchange Act.

CEO and CFO declarations

Before the Board approved the Group's half-year and full-year financial statements for 2018, the CEO and CFO provided the Board with written declarations that:

- the Group's financial records had been properly maintained in accordance with the Corporations Act;
- the financial statements and notes complied with the accounting standards and gave a true and fair view of the Group's financial position and performance; and
- the declarations had been formed on the basis of a sound system of risk management and internal control of financial information which was operating effectively.

Stakeholders

The Bank is committed to providing better outcomes for customers, earning back the trust of communities, responsibly rewarding our people and delivering sustainable, long-term value to shareholders. Stakeholder engagement is fundamental to achieving these goals.

The Bank has documented its approach to engaging with stakeholders. The objectives of this approach are to:

- listen, understand and respond to stakeholder perspectives and expectations, and ensure the broader business hears these perspectives; and
- utilise insights from stakeholders to understand risks and opportunities, informing the Bank's operational and strategic improvements.

Customers

The Bank engages with customers in numerous ways, including through customer feedback and complaint channels, surveys and workshops, customer representative bodies, and external dispute resolution bodies. Customers can also contact us via phone, electronically or post using the details provided on the Bank's website.

The Group has a Customer Advocate function to strengthen accountability for fair customer outcomes and offer a more customer-oriented approach to the Group's business. Since 2016, this function has undertaken important work to help deliver fair customer outcomes by:

- removing barriers to banking that stand in the way of financial inclusion;
- finding and fixing issues that might have a negative impact on customers; and
- providing a helping hand to customers through various initiatives and programs (for example, on financial literacy, protecting against financial abuse and mental health, as well as providing opportunities for mentoring and internships).

Community

Engagement with the Bank's communities provides insights into improving services and products to meet changing societal needs. It is also crucial in understanding evolving community expectations of corporate governance practices.

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

The Bank supports community organisations through donating money and time, and supporting financial education programs. This year, the Group's charity, CommBank Foundation, celebrated 100 years of giving by employees and the Bank.

Our people

The Bank is committed to:

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

Diversity and inclusion

During the 2018 financial year, the Bank launched its 2018 Global Diversity and Inclusion Strategy. The strategy seeks to deliver on the Bank's purpose and values by continuing to build an inclusive culture. The strategy has three pillars:

- Our People: Our workplace is one where diversity of thought is encouraged so everyone feels valued and heard and we create a sense of belonging;
- Our Customers: Our people understand different communities and use these insights and their own lived experience to provide values and innovative customer experience; and
- Our Communities: Our communities recognise us as an authentic leader in diversity and inclusion, and building our external brand and relationships.

Corporate Governance

The Group also has a Diversity and Inclusion Policy.

The Board is responsible under that policy and the Board charter for setting and reviewing annually the Group's diversity initiatives.

The measurable objectives set by the Board for gender diversity, and our progress towards achieving them, are:

Roles to be held by women by 2020	Progress at 30 June 2017	Progress at 30 June 2018
40% of Board	40.0%	40.0%
40% of Executive Managers (1) and above	36.7% (2)	37.6% (2)
45% of Managers (3) and above roles	44.4% (4)	44.6% (4)

Women represent 57.4% of the Group's workforce (5) and 20% of the senior leadership. (6)

The Bank complied with the *Australian Workplace Gender Equality Act 2012* by submitting annual compliance reports for 2018. (7) The Bank has also received the 2017-2018 Employer of Choice for Gender Equality citation by the Workplace Gender Equality Agency.

We have a minimal pay gap between what we pay men and women in similar roles.

The measureable objectives endorsed by the Board for cultural diversity, and our progress towards achieving them, are evident through our Cultural Diversity Index ("CDI") which measures how culturally diverse the Bank is. This year's result shows that the Bank is more culturally diverse than the population of Australia. The results demonstrate that we are well positioned to understand and respond to the needs of the Bank's customers and communities.

The Group's six employee-led networks play an important role in building an inclusive environment and developing relevant solutions for our people and customers:

- Women CAN (gender);
- Unity (sexual orientation and gender identity);
- Enable (accessibility and disability);
- AdvantAge (age and life stage);
- Mosaic (cultural diversity); and
- Yana Budjari (reconciliation actions within our Reconciliation Action Plan).

Flexible work practices

The Bank is committed to recruiting and retaining the best talent to help fulfil our purpose of improving the financial wellbeing of our customers and communities. This means the Bank needs to provide flexible ways of working for its people.

The iCAN Flex program encourages our people to adopt flexible working practices, allowing them to adjust how, when and where they work, to deliver better outcomes for themselves, our customers and the business.

73.7% (8) of the Group's people work flexibly, an increase from 69% (9) the year before.

Remuneration

The Remuneration Committee assists the Board in overseeing the Group's remuneration governance framework. This framework includes governance arrangements, policies and practices for Director and senior executive remuneration. These arrangements are summarised in the Remuneration Report in the 2018 Financial Report.

During the year, the Board evaluated the CEO's performance and his assessment of the Group Executives' performance, as is required by the Board charter. The basis on which these individuals' performance was evaluated and their remuneration outcomes determined is also summarised in the Remuneration Report.

Consistent with good practice, the CEO and other senior executives have written agreements setting out their employment terms.

Shareholders

The Bank seeks to provide shareholders with information that is timely, of high quality and relevant to their investment. The Bank is committed to listening and responding to shareholder feedback.

An investor relations program facilitates two-way communication between the Bank and shareholders, and fosters participation at shareholder meetings. The program incorporates a number of ways in which shareholders can access information and provide feedback.

Updates are provided to shareholders via communications such as our Annual Report, Notice of Meeting and Letter to Shareholders.

Reporting

Key shareholder communications include the Group's Annual Report, full-year and half-year financial results, and quarterly trading updates.

The Audit Committee assists the Board in overseeing the integrity of the Group's corporate reporting.

(1) Executive Managers generally sit at "CEO-4" in the Group's reporting structure. "CEO-1" refers to the layer of senior executives reporting directly to the CEO, "CEO-2" to the next layer of management reporting to those senior executives, and so on.

(2) Based on total Group headcount (permanent employees and fixed term contractors) at this level as at financial year end, but excluding employees of the Bank's New Zealand bank, ASB, and the Bank's New Zealand insurer, Sovereign, and for the year ended 30 June 2018 excluding employees of AHL as well.

(3) Managers generally sit at "CEO-5" in the Group's reporting structure.

(4) Based on total Group headcount (permanent employees and fixed term contractors) at this level as at financial year end, but excluding employees of ASB and Sovereign, and for the year ended 30 June 2018 excluding employees of AHL as well.

(5) Based on total Group headcount (permanent employees and fixed term contractors) as at 30 June 2018, but excluding employees of ASB and Sovereign.

(6) Direct reports of the CEO with authority and responsibility for planning, directing and controlling the Bank's activities, excluding ASB and Sovereign.

(7) Excludes Bankwest and AHL, who submit separate compliance reports. International businesses are also excluded.

(8) Results from Your Voice survey. Excludes Bankwest, ASB, Sovereign, IFS, AHL and the Global Asset Management business ("CFSGAM").

(9) As measured by the Group's Employee Engagement Survey as at March 2017. That survey did not include employees of ASB, Sovereign, Bankwest or CFSGAM.

Corporate Governance

Disclosure

The Bank takes its continuous disclosure obligations seriously. All material information is released to the Australian Securities Exchange ("ASX") in compliance with the Bank's continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

The Bank has a written policy for complying with these disclosure obligations. The Continuous Disclosure Policy was reviewed and updated during the 2018 financial year

Annual General Meetings

The Bank recognises the importance of shareholder participation in meetings. Shareholders are strongly encouraged to attend, and participate in, the Bank's AGMs. The location of AGMs are rotated between capital cities to facilitate shareholder attendance.

The Bank also encourages shareholders to submit their questions ahead of AGMs. Approximately 671 shareholder questions were received in advance of the 2017 AGM, providing useful insights into shareholder concerns and enabling the Bank to provide relevant feedback.

The Bank offers direct voting, allowing shareholders who are unable to attend the AGM to vote on resolutions without needing to appoint a proxy to attend or vote on their behalf. Additionally, the meeting proceedings are webcast for those shareholders who are unable to attend the AGM.

Electronic communications

Shareholders are encouraged to communicate with the Bank electronically to provide the Bank's share registry, Link Market Services, with their email addresses, so that the Bank may communicate electronically about relevant matters, including AGMs, Annual Reports and dividend payments.

Roles and responsibilities

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

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

Summaries of the roles and responsibilities of the Board, its Committees and the CEO are set out below.

The Board

The Board appoints the CEO, sets the strategic objectives of the Bank with input from management, and oversees the management, performance, remuneration and governance frameworks of the Group.

In performing this role, the Board:

- approves the strategic and financial plans to be implemented by management;
- oversees the Risk Framework and its operation by management;
- sets the Group's risk appetite, within which management is expected to operate, and approves the RAS;
- monitors the culture of the Group and any management plans for cultural change;
- approves the Group's half and full-year financial statements and reports, and the half and full-year financial reports required by APRA;
- approves capital expenditure for investments and divestments, and operational expenditure, that exceed the limits delegated to the CEO;
- assesses the performance of the CEO, and oversees succession plans for senior management;
- approves the remuneration arrangements and outcomes for the CEO, the senior direct reports to the CEO and other individuals specified in the Group Remuneration Policy, following an assessment of performance and risk behaviours; and
- fulfils various other responsibilities detailed in the Board charter.

CEO succession

Appointing the CEO is one of the Board's most important functions.

In January 2018, the Board announced that Matt Comyn would replace Ian Narev as CEO of the Bank effective 9 April. Ian had announced his intention to retire in August 2017, after more than six years in the role.

The Board undertook an extensive and thorough recruitment process in selecting the CEO, including a global and local candidate search. In assessing candidates, the Board was focused on:

- maintaining the momentum in the business;
- addressing the regulatory and reputational challenges and recognising evolving community expectations; and
- transforming the Bank and adapting the organisational capability and culture to suit the rapidly evolving competitive and technology-centric environment.

Following a rigorous recruitment process, the Board concluded that Matt Comyn had the best mix of skills, attributes and values needed to lead the Bank through our current challenges to become a simpler, better bank.

(1) BEAR was introduced by the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018 (Cth) and imposes accountability, remuneration, key personnel and notification obligations on authorised deposit-taking institutions and persons in Director and senior executive roles.

Corporate Governance

Chairman

The Chairman leads the Board and oversees the processes for the Board's performance of its role. In undertaking this role, the Chairman:

- represents the views of the Board and the Bank to stakeholders, including shareholders, regulators and the community;
- maintains a regular dialogue with the CEO and management, serving as the primary link between the Board and management; and
- liaises with the CEO in relation to the Board's information requirements to assist the Board with effective decision making.

Board Committees

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

- Audit Committee;
- Nominations Committee;
- Remuneration Committee; and
- Risk Committee.

The roles, responsibilities and composition requirements of the Committees are detailed in Board-approved charters and summarised in the following table.

The Board established the Financial Crimes Review Committee ("FCRC") in August 2017 to oversee and receive reports in relation to:

- the Bank's response to the civil proceedings initiated by AUSTRAC on 3 August 2017 for alleged breaches of anti-money laundering legislation;
- the Program of Action to uplift the Bank's AML/CTF processes and controls; and
- accountability and consequence management for any deficiencies in compliance processes and controls related to AML/CTF.

The members of the FCRC were Mary Padbury ("Chair"), Shirish Apte, Catherine Livingstone AO and Brian Long.

The FCRC met 20 times during the 2018 financial year and was dissolved following the resolution of the AUSTRAC proceedings. The Risk Committee assumed responsibility for the continuing oversight of the Program of Action.

From time to time, other special Committees are convened to assist the Board with particular matters or to exercise the delegated authority of the Board.

All Directors have access to Committee papers, may attend Committee meetings and receive minutes of Committee meetings even if they are not a member of the relevant Committee. Committee Chairs report on Committee business at the next Board meeting.

Audit Committee	Nominations Committee	Remuneration Committee	Risk Committee
Assists the Board on matters relating to: ▪ external reporting of financial information for the Group; ▪ the internal control environment of the Group; ▪ the Group Internal Auditor, internal audit function and External Auditor; and ▪ the Risk Framework, in conjunction with the Risk Committee.	Assists the Board on matters relating to: ▪ Board and Board Committee composition and performance review processes; ▪ appointment, election and re-election of Non-Executive Directors (NEDs); ▪ Director induction and development programs and independence assessments; ▪ CEO succession planning and performance; ▪ diversity policies of the Board and certain subsidiary boards; and ▪ governance framework and policies for key operating subsidiary board appointments and performance.	Assists the Board on matters relating to: ▪ the Bank's remuneration strategy and the Group Remuneration Policy; ▪ remuneration arrangements for NEDs of the Board and certain related companies, the CEO, senior direct reports to the CEO, and other individuals described in the Committee charter; ▪ variable remuneration budgets and plans; ▪ performance management frameworks; ▪ benefits of material value to employees; ▪ employee equity plans and superannuation; and ▪ remuneration disclosures.	Assists the Board on matters relating to: ▪ governance of the Group's risks; ▪ the Risk Framework, risk profile and risk appetite; ▪ the Group's Risk Management function; and ▪ risk culture.
Must: ▪ have at least four independent NEDs; and ▪ include the Risk Committee Chair.	Must: ▪ have at least three independent NEDs; and ▪ be chaired by the Board Chairman.	Must: ▪ have at least four independent NEDs; and ▪ include a Risk Committee member.	Must: ▪ have at least four independent NEDs; and ▪ include the Audit Committee Chair and a Remuneration Committee member.
Members as at the date of the report: ▪ Brian Long (Chair) ▪ Shirish Apte ▪ Catherine Livingstone AO ▪ Wendy Stops (1) ▪ Anne Templeman-Jones (2)	Members as at the date of the report: ▪ Catherine Livingstone AO (Chair) ▪ Brian Long ▪ Mary Padbury ▪ Robert Whitfield (1)	Members as at the date of the report: ▪ Sir David Higgins (Chair) ▪ Catherine Livingstone AO ▪ Andrew Mohl ▪ Mary Padbury ▪ Wendy Stops.	Members as at the date of the report: ▪ Shirish Apte (Chair) ▪ Sir David Higgins ▪ Catherine Livingstone AO ▪ Brian Long ▪ Andrew Mohl ▪ Robert Whitfield (1)

(1) The Group Internal Auditor and External Auditor may attend all Committee meetings. The Committee meets periodically and separately with the Group Internal Auditor and External Auditor, without management present.

(2) The Group CEO, Chief Risk Officer ("CRO"), CFO and Internal Auditor may attend all Committee meetings. The Committee meets periodically with the CRO and Executive General Manager Compliance, with only Directors present.

Corporate Governance

The CEO

The Board has delegated the management of the Bank to the CEO. Except for any specific powers reserved by the Board, or delegated to its Committees or an individual Director, the CEO may make all decisions and take any action necessary to manage the Bank.

The responsibilities of the CEO, as set out in the Board charter, include:

- implementing the strategic and financial objectives of the Bank;
- instilling in the Bank a culture which aligns to the Bank's values;
- analysing the impact on the strategic objectives and financial position when allocating the Bank's resources or capital, approving expenditure or making major financial decisions;
- assessing reputation consequences of decisions or actions taken by the Bank;
- implementing systems to manage the operations of the Bank; and
- ensuring the timely preparation, presentation, adequacy and integrity of information provided to the Board, to enable the Board to carry out its responsibilities.

Management committees established by the CEO assist and advise him in his exercise of the delegated powers. These committees include the Executive Leadership Team and the Non-Financial Risk Committee, which was recently constituted in response to the recommendations in the Inquiry Report.

The Group has a delegations framework through which the authority and responsibility for decision making conferred by the Board on the CEO cascades to senior executives and then throughout the Group. These delegations empower our people to fulfil their roles efficiently and effectively.

Notwithstanding the delegations by the CEO, the CEO is accountable to the Board for the exercise of the delegated powers and management's performance as articulated in the Board charter.

Company Secretaries

The Board has appointed two Company Secretaries. The Group Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

All Directors have access to the Company Secretaries.

Board effectiveness

The Board is committed to renewal and to continually improving its practices so that it can effectively discharge its role and responsibilities as the Bank's needs evolve. An overview of the Board's composition and key governance practices follows.

Board members

The Bank's Directors for some or all of the 2018 financial year follow.

Current Directors		Appointed
Catherine Livingstone AO (Chairman from 1 January 2017)		2016
Matt Comyn (CEO)		2018
Shirish Apte		2014
Sir David Higgins		2014
Brian Long		2010
Andrew Mohl		2008
Mary Padbury		2016
Wendy Stops		2015
Anne Templeman-Jones		2018
Rob Whitfield		2017
Former Directors	**Appointed**	**Retired**
Ian Narev	2011	2018
Launa Inman	2011	2017
Harrison Young	2007	2017

As at the date of this Statement, the Board comprised nine Non-Executive Directors and the CEO.

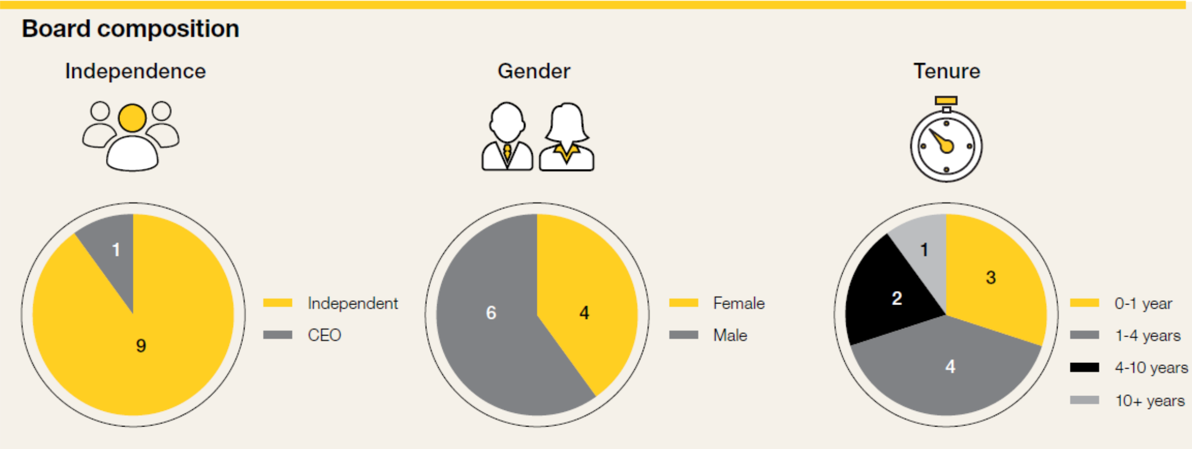
Board composition

The Board's approach to its composition and renewal emphasises the need for**:**

- Skills, expertise and experience: The Board seeks to have an appropriate mix of skills, expertise and experience to enable it to deal with current and emerging opportunities and issues, and to effectively review and challenge the performance of management.
- Independence: The Board considers that all of its Non-Executive Directors, including the Chairman, were independent during the 2018 financial year and continue to be independent as at the date of this Statement.

The Board assessed each Non-Executive Director's material contracts, interests, positions, associations, relationships and tenure against the independence standards outlined in our Board Appointment, Renewal and Performance Policy.

In accordance with those standards, the Board considers a Non-Executive Director to be independent where they are free of any interest or relationship that could, or could reasonably be perceived to, materially interfere with the exercise of unfettered and independent judgement.



In applying its independence standards, the Board concluded that:

- Catherine Livingstone's directorship of a material supplier in the past three years;
- Andrew Mohl's tenure on the Board of more than nine years; and
- the tenure of former Director Harrison Young of more than 10 years,

did not and does not interfere with their capacity to bring independent judgement to bear on the issues before the Board.

- Diversity: The Directors on the Board represent a range of nationalities and backgrounds. Gender diversity is also a priority, with the Board setting a gender diversity objective of 40% female representation by 2020 for itself. The Board first met this objective in 2017 and continues to meet it at the date of this Statement.
- Tenure: The Board balances longer-serving Directors with a deep knowledge of the Bank's operations and history, and newer Directors with fresh perspectives.

The Board's Corporate Governance Guidelines provide that any Director with a material personal interest in a matter being considered by the Board or a Board Committee will not:

- receive a copy of any paper dealing with the matter (or may receive a redacted version of the paper);
- be present when the matter is being discussed; or
- vote on the matter.

Minutes of matters in which a Director is considered to have a material personal interest are not provided to that Director.

All Board members have considerable exposure to contemporary corporate governance practices and are committed to acting ethically.

Board renewal

The Board has succession plans to facilitate the orderly transition of Directors. During the financial year, the Board underwent extensive renewal, with a focus on skills and expertise in the areas of banking and risk management. Long-serving Directors Launa Inman and Harrison Young retired in 2017, and Andrew Mohl and Brian Long are due to retire at the 2018 AGM. Rob Whitfield and Anne Templeman-Jones were appointed to the Board during the year.

Rob Whitfield has significant experience in banking and finance in senior management roles across the private and public sectors. He also has deep knowledge of capital and equity markets and broad risk management.

Anne Templeman-Jones is an experienced listed company Non-Executive Director, with substantial operational, risk governance and strategy experience gained through an executive career in financial services.

To assist in succession planning, the Board uses a skills matrix to assess its compositional needs. The Board's skills matrix was revised this year with strategy, risk management and stakeholder engagement competencies added to the matrix together with competency descriptions. The updated skills matrix and the collective skills, expertise and experience of the Directors on the Board as at 30 June 2018 are depicted below.

Corporate Governance

Board skills matrix

Category	Skill	Description	Directors
Skills and expertise	**Financial acumen**	Proficiency in financial accounting and reporting, capital management and/or actuarial experience	9 out of 10
Skills and expertise	**Legal expertise**	Proven ability and understanding in the application of legal principles	1 out of 10
Skills and expertise	**Technology**	Experience in technology strategies and innovation	5 out of 10
Skills and expertise	**Strategy**	Demonstrated experience in developing, implementing and delivering strategic business objectives	9 out of 10
Skills and expertise	**Risk management**	Proven ability in identifying, assessing and managing macro, strategic, operational and financial risks	10 out of 10
Experience	**Financial services experience**	Experience in banking, as relevant to CBA, and financial regulation	8 out of 10
Experience	**Listed company experience**	Experience as a non-executive director of at least two other listed entities (Australia or overseas)	5 out of 10
Experience	**Leadership**	Held CEO or similar position in an organisation of significant size	9 out of 10
Experience	**Global perspective**	Having a global perspective through exposure or responsibility for international operations	9 out of 10
Experience	**Stakeholder engagement**	Demonstrated ability to build and maintain key relationships with industry, government or regulators	8 out of 10

Director appointment and re-election

The Board, with the assistance of the Nominations Committee, conducts a formal selection process when appointing new Non-Executive Directors. An executive search firm is engaged, as required, to identify a diverse range of candidates. In assessing candidates, the Board seeks to ensure that an appropriate balance of skills, experience, expertise and diversity is maintained or achieved in its membership and assesses candidates against the Board's Director appointment criteria which are set out in a Board Appointment, Renewal and Performance Policy.

The Bank undertakes appropriate checks before appointing a person as a Non-Executive Director or recommending that person to the Bank's shareholders as a Non-Executive Director. Those checks include criminal record and bankruptcy checks, and checks of the person's educational qualifications and employment history. In addition, as all Non-Executive Directors are 'responsible persons' under an applicable APRA prudential standard, background checks as to fitness and propriety are also carried out before a person is appointed to the Board. Further, Non-Executive Directors are registered by the Bank with APRA as 'accountable persons', as required under the BEAR.

Each Non-Executive Director receives a letter setting out the key terms of their appointment, which include terms relating to time commitment and continuing education.

All persons appointed as Non-Executive Directors of the Bank must stand for election at the next AGM following their appointment. In addition, Non-Executive Directors must stand for re-election such that at each AGM one third of Directors (excluding the CEO and any Directors appointed since the previous AGM) must retire.

Board support for a Director's election or re-election is subject to the Board performance review outcomes and any other matters the Board considers relevant.

In the relevant AGM notice, the Bank provides its shareholders with all material information in its possession which is relevant to a decision as to whether or not to elect or re-elect a Director.

Corporate Governance

Director induction and continuing development

Non-Executive Directors joining the Board are given a copy of the Board's Corporate Governance Guidelines, which outline the key corporate governance principles and policies, and operational procedures and practices relevant to the Board in governing the Group.

Additionally, these Directors participate in a comprehensive induction program that covers a range of topics, including:

- the competitive and regulatory environments of the Group;
- the Group's structure, strategic planning process, operations and corporate governance framework, as well as the Group's financial, strategic, operational and risk management position;
- the culture and values of the Group;
- the Board and Board Committee meeting arrangements and protocols; and
- relations between the Board, management and key stakeholders.

The induction program includes briefings from the CEO, CFO, CRO, heads of the Group's business and support units, the Group Internal Auditor and external audit firm's lead audit partner. The program was reviewed and updated during the year.

The Board has a continuing education program for Directors to ensure their knowledge of the Bank's business operations and the financial services sector remains current.

The education sessions were increased during the 2018 financial year, with Directors gaining insights and deeper knowledge of the business by participating in cyber security simulation exercises, an interactive exercise in the trading room, and briefing sessions on the operation of our platforms, new ways of working and IFRS 9. Additionally, the Board visited the Group's cyber security centre, and operations in Singapore and Indonesia. The Directors undertook regulatory and business engagements on behalf of the Bank while on these site visits.

Performance reviews

The Board annually evaluates its performance, and the performance of each of its Committees and Directors. Performance reviews are facilitated by an external consultant every three years or as otherwise determined by the Board.

Throughout the year the Board had several discussions on the progress of its performance against its planned actions and undertook with its Committees an internal evaluation comprising of a questionnaire, individual discussions and Board and Committee discussions which considered:

- the respective roles and responsibilities of the Board and its Committees;
- whether there were additional matters not captured in the Board's planned actions;
- whether matters raised in the Inquiry Report were being addressed;
- the adequacy of the Board's processes;
- the sufficiency of management's reporting to the Board; and
- the robustness of Director discussion and challenge of management.

The Chairman also met with each Director to discuss individual performance. The outcomes of the review were discussed by the Board and its Committees at the August 2018 meetings.

The Board agreed to continue to:

- focus on culture;
- increase time on strategic issues;
- oversee the strengthening of the Risk Framework, particularly in relation to operational risks and compliance risks;
- improve key stakeholder relationships; and
- focus on improving reporting and disclosures to the Board.

Board access to information and independent advice

The Board has free and unfettered access to senior management, and any other relevant internal and external party and information, and may make any enquiries to fulfil its responsibilities.

Directors may obtain independent advice at the Bank's expense, including by engaging and receiving advice and recommendations from appropriate independent experts.

The Board has formalised a procedure to be followed where independent advice is sought at the Bank's expense. This procedure requires the Chairman's prior consent (which must not be unreasonably withheld). The fee payable to the adviser must be reasonable in the circumstances and notified to the Chairman before the adviser is formally engaged.

Board and Board Committee meetings

This attendance data includes a meeting of the Audit, Risk and Remuneration Committees, which was held concurrently in June 2018 to consider risk, financial and reputation-related matters relevant to executive performance and remuneration processes. Concurrent meetings of these Committees will occur periodically throughout the annual schedule.

Corporate Governance

Board governance

During the year, key Board governance arrangements and documents were reviewed and refreshed to ensure they remain fit for purpose. Specifically, the review sought to:

- clarify the respective roles and responsibilities of the Board, Board Committees and management, and ensure that the division of functions between them continues to be appropriate for the Bank;
- make the governance documents simpler and more enduring;
- streamline processes and enhance reporting to the Board;
- reflect the BEAR requirements and the governance recommendations in the Inquiry Report; and
- incorporate developments in market practice.

The documents reviewed included:

- the charters of the Board and its Committees;
- Board and Committee meeting paper templates;
- the Board's Corporate Governance Guidelines;
- the Board Appointment, Renewal and Performance Policy; and
- the Appointment Policy for Subsidiary and Other Boards.

This year the Board also continued to strengthen its oversight of key operating subsidiaries with additional reporting obligations implemented.

Five Year Financial Summary

	2018	2017 [(1)]	2016 [(1)]	2015	2014
	$M	$M	$M	$M	$M
Net interest income	**18,341**	17,543	16,858	15,827	15,131
Other operating income [(2)]	**7,583**	7,737	7,043	7,751	7,270
Total operating income	**25,924**	25,280	23,901	23,578	22,401
Operating expenses	**(11,599)**	(10,622)	(9,957)	(10,003)	(9,499)
Impairment expense	**(1,079)**	(1,095)	(1,256)	(988)	(953)
Net profit before tax	**13,246**	13,563	12,688	12,587	11,949
Corporate tax expense	**(3,994)**	(3,847)	(3,497)	(3,439)	(3,250)
Non-controlling interests	**(19)**	(20)	(20)	(21)	(19)
Net profit after tax from continuing operations ("cash basis")	**9,233**	9,696	9,171	9,127	8,680
Net profit after tax from discontinued operations	**179**	185	274	-	-
Net profit after tax ("cash basis")	**9,412**	9,881	9,445	9,127	8,680
Treasury shares valuation adjustment	**2**	(23)	4	(28)	(41)
Hedging and IFRS volatility	**101**	73	(199)	6	6
(Loss)/gain on disposal of controlled entities/investments	**(183)**	-	-	-	17
Bankwest non-cash items	**(3)**	(3)	(27)	(52)	(56)
Bell Group litigation	**-**	-	-	-	25
Net profit after income tax attributable to Equity holders of the Bank "statutory basis"	**9,329**	9,928	9,223	9,053	8,631
Contributions to profit (after tax)					
Retail Banking Services	**5,193**	4,933	4,540	3,994	3,678
Business and Private Banking	**1,888**	1,808	1,522	1,495	1,321
Institutional Banking and Markets	**1,121**	1,311	1,190	1,285	1,252
Wealth Management	**563**	422	400	643	789
New Zealand	**975**	869	785	882	742
Bankwest	**681**	576	778	795	675
IFS and Other	**(1,188)**	(223)	(44)	33	223
Net profit after tax from continuing operations ("cash basis")	**9,233**	9,696	9,171	9,127	8,680
Investment experience after tax	**(10)**	(18)	(24)	(150)	(197)
Net profit after tax "underlying basis"	**9,223**	9,678	9,147	8,977	8,483
Balance Sheet					
Loans, bills discounted and other receivables	**743,365**	731,762	695,398	639,262	597,781
Total assets	**975,165**	976,318	932,945	873,489	791,451
Deposits and other public borrowings	**622,234**	626,655	588,045	543,231	498,352
Total liabilities	**907,305**	912,658	872,437	820,684	742,103
Shareholders' Equity	**67,860**	63,660	60,508	52,805	49,348
Net tangible assets (including discontinued operations)	**56,911**	53,090	49,630	41,334	38,080
Risk weighted assets - Basel III (APRA)	**458,612**	437,063	394,667	368,721	337,715
Average interest earning assets [(3)]	**854,264**	834,741	790,596	736,164	705,862
Average interest bearing liabilities [(3)]	**759,583**	755,612	733,754	693,376	660,847
Assets (on Balance Sheet) - Australia	**811,491**	817,519	783,114	741,249	669,293
Assets (on Balance Sheet) - New Zealand	**69,052**	89,997	83,832	72,299	69,110
Assets (on Balance Sheet) - Other	**94,622**	68,802	65,999	59,941	53,048

(1) Comparative information for 2017 and 2016 has been restated to reflect the change in accounting policy detailed in Note 1.1 in the 2018 Financial Report and refinements to the allocation of customer balances.
(2) Includes investment experience.
(3) Comparative information for 2017 and 2016 has been restated to reflect the change in accounting policy detailed in Note 1.1 in the 2018 Financial Report.

Five Year Financial Summary

	2018	2017	2016	2015	2014
Shareholder summary from continuing operations					
Earnings per share (cents) (1)					
Basic					
Statutory	**536. 9**	567. 9	525. 6	553. 1	530. 6
Cash basis	**528. 6**	563. 4	538. 3	556. 9	532. 7
Fully diluted					
Statutory	**520. 2**	549. 9	513. 3	539. 1	518. 9
Cash basis	**512. 4**	545. 6	525. 4	542. 7	521. 0
Net tangible assets per share ($)	**33. 1**	31. 5	29. 7	25. 4	23. 5
Shareholder summary including discontinued operations					
Earnings per share (cents) (1)					
Basic					
Statutory	**534. 3**	577. 3	542. 0	553. 1	530. 6
Cash basis	**538. 8**	574. 1	554. 5	556. 9	532. 7
Fully diluted					
Statutory	**517. 7**	558. 8	529. 0	539. 1	518. 9
Cash basis	**522. 0**	555. 8	540. 9	542. 7	521. 0
Dividends per share - fully franked (cents)	**431**	429	420	420	401
Dividend cover - statutory (times)	**1. 2**	1. 3	1. 3	1. 3	1. 3
Dividend cover - cash (times)	**1. 2**	1. 3	1. 3	1. 3	1. 3
Dividend payout ratio (%)					
Statutory	**81. 2**	74. 6	78. 4	75. 8	75. 5
Cash basis	**80. 4**	75. 0	76. 5	75. 2	75. 1
Net tangible assets per share ($) including discontinued operations	**33. 1**	30. 7	28. 9	25. 4	23. 5
Weighted average number of shares (statutory basic) (M)	**1,746**	1,720	1,692	1,627	1,618
Weighted average number of shares (statutory fully diluted) (M)	**1,852**	1,816	1,771	1,711	1,691
Weighted average number of shares (cash basic) (M)	**1,747**	1,721	1,694	1,630	1,621
Weighted average number of shares (cash fully diluted) (M)	**1,853**	1,817	1,773	1,714	1,694
Number of shareholders	**811,409**	806,386	820,968	787,969	791,564
Share prices for the year ($)					
Trading high	**85. 12**	87. 74	88. 88	96. 69	82. 68
Trading low	**67. 22**	69. 22	69. 79	73. 57	67. 49
End (closing price)	**72. 87**	82. 81	74. 37	85. 13	80. 88

(1) Comparative information for 2017 and 2016 has been restated to reflect the change in accounting policy detailed in Note 1.1 in the 2018 Financial Report.

Five Year Financial Summary

	2018	2017	2016	2015	2014
Performance ratios (%) from continuing operations					
Return on average Shareholders' Equity					
Statutory	**14. 4**	15. 9	15. 8	18. 2	18. 7
Cash basis	**14. 1**	15. 7	16. 1	18. 2	18. 7
Return on average total assets					
Statutory	**1. 0**	1. 0	1. 0	1. 1	1. 1
Cash basis	**0. 9**	1. 0	1. 0	1. 1	1. 1
Net interest margin (1)	**2. 15**	2. 10	2. 13	2. 15	2. 19
Performance ratios (%) including discontinued operations					
Return on average Shareholders' Equity					
Statutory	**14. 3**	16. 2	16. 3	18. 2	18. 7
Cash basis	**14. 4**	16. 0	16. 6	18. 2	18. 7
Return on average total assets					
Statutory	**1. 0**	1. 0	1. 0	1. 1	1. 1
Cash basis	**1. 0**	1. 0	1. 0	1. 1	1. 1
Capital adequacy - Common Equity Tier 1 (APRA)	**10. 1**	10. 1	10. 6	9. 1	9. 3
Capital adequacy - Tier 1 (APRA)	**12. 3**	12. 1	12. 3	11. 2	11. 1
Capital adequacy - Tier 2 (APRA)	**2. 7**	2. 1	2. 0	1. 5	0. 9
Capital adequacy - Total (APRA)	**15. 0**	14. 2	14. 3	12. 7	12. 0
Leverage Ratio (APRA) (%)	**5. 5**	5. 1	5. 0	n/a	n/a
Liquidity Coverage Ratio (%)	**131. 5**	128. 6	120. 0	120. 0	n/a
Net interest margin (1)	**2. 15**	2. 11	2. 14	2. 15	2. 19
Other information (numbers)					
Full-time equivalent employees from continuing operations (1)	**43,771**	43,620	43,178	45,948	44,329
Full-time equivalent employees including discontinued operations	**45,753**	45,614	45,129	45,948	44,329
Branches/services centres (Australia)	**1,082**	1,121	1,131	1,147	1,150
Agencies (Australia)	**3,589**	3,664	3,654	3,670	3,717
ATMs	**4,253**	4,398	4,381	4,440	4,340
EFTPOS terminals (active)	**219,245**	217,098	217,981	208,202	200,733
Productivity from continuing operations (2)					
Total operating income per full-time (equivalent) employee ($)	**591,876**	579,023	552,805	508,578	500,034
Employee expense/Total operating income (%)	**22. 9**	23. 2	24. 1	24. 9	25. 0
Total operating expenses/Total operating income (%)	**44. 8**	42. 1	41. 7	42. 8	42. 9
Productivity including discontinued operations (2)					
Total operating income per full-time (equivalent) employee ($)	**580,859**	568,685	545,237	508,578	500,034
Employee expense/Total operating income (%)	**23. 2**	23. 6	24. 4	24. 9	25. 0
Total operating expenses/Total operating income (%)	**45. 4**	42. 7	42. 4	42. 8	42. 9

(1) Comparative information has been restated for 2017 and 2016 to align to presentation in the current period.
(2) The productivity metrics have been calculated on a cash basis.

Contents

Section 7 – Appendices

Appendix A – Additional Historical Information 153

Appendix B – Definitions 165

Appendix C – Disclosure Changes 169

Appendix D – Shareholding Information 173

Appendix A – Additional Historical Information

For the purposes of providing investors with a thorough understanding of the Group's performance, this Appendix provides relevant financial year 2015 and 2014 information not provided within the 2018 Financial Report.

Provisions for Impairment

Provisions for impairment losses	2015 $M	2014 $M
Collective provision		
Opening balance	2,779	2,858
Net collective provision funding	589	497
Impairment losses written off	(770)	(753)
Impairment losses recovered	176	165
Other	(12)	12
Closing balance	2,762	2,779
Individually assessed provisions		
Opening balance	1,127	1,628
Net new and increased individual provisioning	659	726
Write-back of provisions no longer required	(260)	(305)
Discount unwind to interest income	(38)	(51)
Impairment losses written off	(709)	(1,060)
Other	108	189
Closing balance	887	1,127
Total provisions for impairment losses	3,649	3,906
Less: Off Balance Sheet provisions	(31)	(40)
Total provisions for loan impairment	3,618	3,866

Provision ratios	2015 %	2014 %
Total provisions for impaired assets as a % of gross impaired assets	35. 94	37. 60
Total provisions for impairment losses as a % of gross loans and acceptances	0. 56	0. 64

Appendix A – Additional Historical Information

Credit Risk Management

The following tables set out the Group's impaired asset position by industry and asset class as at 30 June 2016, 2015 and 2014.

							2016
Industry	Loans $M	Gross Impaired Loans $M	Total Provisions for Impaired Assets $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia							
Sovereign	19,279	-	-	-	-	-	-
Agriculture	8,001	136	(42)	94	84	(1)	83
Bank and other financial	15,729	18	(29)	(11)	10	(27)	(17)
Home Loans	409,452	921	(193)	728	82	(3)	79
Construction	3,804	28	(25)	3	11	(1)	10
Other Personal	23,524	255	(7)	248	747	(154)	593
Asset Financing	7,677	85	(28)	57	54	(4)	50
Other commercial and industrial	116,668	953	(483)	470	249	(21)	228
Total Australia	604,134	2,396	(807)	1,589	1,237	(211)	1,026
Overseas							
Sovereign	1,433	-	-	-	-	-	-
Agriculture	8,744	277	(23)	254	7	-	7
Bank and other financial	3,471	10	(4)	6	-	(1)	(1)
Home Loans	46,622	99	(6)	93	7	(1)	6
Construction	352	14	(8)	6	-	-	-
Other Personal	1,719	12	(1)	(3)	54	(10)	44
Asset Financing	226	18	(10)	8	-	-	-
Other commercial and industrial	33,598	153	(85)	77	112	(2)	110
Total overseas	96,165	583	(137)	446	180	(14)	166
Gross balances	700,299	2,979	(944)	2,035	1,417	(225)	1,192

Appendix A – Additional Historical Information

Credit Risk Management (continued)

							2015
Industry	Loans $M	Gross Impaired Loans $M	Total Provisions for Impaired Assets $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
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	(10)	256	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 Australia	561,058	2,208	(775)	1,433	1,322	(165)	1,157
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	-	13	42	(10)	32
Asset Financing	558	29	(10)	19	-	-	-
Other commercial and industrial	12,909	179	(77)	102	35	-	35
Total overseas	83,170	484	(112)	372	157	(11)	146
Gross balances	644,228	2,692	(887)	1,805	1,479	(176)	1,303

Appendix A – Additional Historical Information

Credit Risk Management (continued)

	2014						
Industry	Loans $M	Gross Impaired Loans $M	Total Provisions for Impaired Assets $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
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	(14)	246	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 Australia	526,438	2,619	(1,035)	1,584	1,707	(148)	1,559
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	-	11	30	(8)	22
Asset Financing	327	2	-	2	-	-	-
Other commercial and industrial	10,221	288	(62)	226	60	(2)	58
Total overseas	76,662	551	(92)	459	106	(17)	89
Gross balances	603,100	3,170	(1,127)	2,043	1,813	(165)	1,648

Credit Risk Management (continued)

The following tables set out the Group's credit risk by industry and asset class as at 30 June 2016, 2015 and 2014.

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

At 30 June 2016

	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Other Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	3,185	-	7,786	-	-	-	-	-	-	10,971
Receivables due from other financial institutions	-	-	2,930	-	-	-	-	-	-	2,930
Assets at fair value through Income Statement:										
Trading	16,763	-	1,552	-	-	-	-	12,900	-	31,215
Insurance (1)	1,402	-	5,963	-	-	-	-	3,781	-	11,146
Other	43	-	532	-	-	-	-	905	-	1,480
Derivative assets	1,630	115	30,209	-	133	-	-	2,305	-	34,392
Available-for-sale investments	43,400	-	23,856	-	-	-	-	821	-	68,077
Loans, bills discounted and other receivables	19,279	8,001	15,729	409,452	3,804	23,524	7,677	116,668	-	604,134
Bank acceptances	2	707	68	-	338	-	-	44	-	1,159
Other assets (2)	1,531	4	3,845	708	3	8	-	363	15,703	22,165
Total on Balance Sheet Australia	87,235	8,827	92,470	410,160	4,278	23,532	7,677	137,787	15,703	787,669
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	63	18	839	58	542	6	-	4,321	-	5,847
Loan commitments	848	1,406	7,436	68,577	2,227	22,957	-	37,667	-	141,118
Other commitments	55	24	1,876	59	986	1	14	1,801	-	4,816
Total Australia	88,201	10,275	102,621	478,854	8,033	46,496	7,691	181,576	15,703	939,450
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	8,483	-	3,918	-	-	-	-	-	-	12,401
Receivables due from other financial institutions	148	-	8,513	-	-	-	-	-	-	8,661
Assets at fair value through Income Statement:										
Trading	890	-	1,559	-	-	-	-	403	-	2,852
Insurance (1)	-	-	2,401	-	-	-	-	-	-	2,401
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	916	31	5,120	-	-	-	-	6,108	-	12,175
Available-for-sale investments	9,507	-	3,166	-	-	-	-	148	-	12,821
Loans, bills discounted and other receivables	1,433	8,744	3,471	46,622	352	1,719	226	33,598	-	96,165
Bank acceptances	-	-	-	-	-	-	-	272	-	272
Other assets (2)	17	-	247	70	-	6	5	30	2,110	2,485
Total on Balance Sheet overseas	21,394	8,775	28,395	46,692	352	1,725	231	40,559	2,110	150,233
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1	4	60	-	53	-	-	251	-	369
Loan commitments	313	827	4,018	7,309	194	1,940	5	15,018	-	29,624
Other commitments	43	-	-	-	1	-	-	652	-	696
Total overseas	21,751	9,606	32,473	54,001	600	3,665	236	56,480	2,110	180,922
Total gross credit risk	109,952	19,881	135,094	532,855	8,633	50,161	7,927	238,056	17,813	1,120,372

(1) 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.
(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.

Appendix A – Additional Historical Information

Credit Risk Management (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

At 30 June 2015

	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Other Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $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	-	-	4,141	-	-	-	-	-	-	4,141
Assets at fair value through Income Statement:										
Trading	10,477	-	2,087	-	-	-	-	10,267	-	22,831
Insurance (1)	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	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	5,455	608	70	51	4	959	12,838	20,808
Total on Balance Sheet Australia	53,654	7,709	108,408	383,782	3,193	22,364	8,360	141,221	12,838	741,529
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	109	14	149	45	679	7	-	4,759	-	5,762
Loan commitments	577	1,595	3,845	66,437	3,253	22,605	-	40,482	-	138,794
Other commitments	50	13	1,727	24	874	2	164	2,263	-	5,117
Total Australia	54,390	9,331	114,129	450,288	7,999	44,978	8,524	188,725	12,838	891,202
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	-	-	17,177	-	-	-	-	-	-	17,177
Receivables due from other financial institutions	-	-	8,922	-	-	-	-	-	-	8,922
Assets at fair value through Income Statement:										
Trading	1,010	-	1,358	-	-	-	-	1,225	-	3,593
Insurance (1)	-	-	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	12,929	7,990	7,572	39,677	407	1,128	558	12,909	-	83,170
Bank acceptances	-	-	-	-	-	-	-	229	-	229
Other assets (2)	45	-	743	1	1	19	54	77	1,685	2,625
Total on Balance Sheet overseas	21,786	8,014	47,089	39,678	408	1,147	612	16,464	1,685	136,883
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1	3	60	-	69	-	-	286	-	419
Loan commitments	512	989	1,401	5,887	154	1,711	3	16,060	-	26,717
Other commitments	71	-	-	-	5	-	-	691	-	767
Total overseas	22,370	9,006	48,550	45,565	636	2,858	615	33,501	1,685	164,786
Total gross credit risk	76,760	18,337	162,679	495,853	8,635	47,836	9,139	222,226	14,523	1,055,988

(1) 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.
(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.

Appendix A – Additional Historical Information

Credit Risk Management (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

At 30 June 2014

	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Other Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $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 (1)	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	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 (1)	-	-	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	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) 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.

(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.

Appendix A – Additional Historical Information

Credit Risk Management (continued)

Large Exposures

Concentrations of exposure to any counterparty or counterparty group are controlled by a large credit exposure policy, which defines a graduated limit framework that restricts credit limits based on the internally assessed risk of the client, the type of client, the security cover and facility tenor. All exposures outside the policy limits require approval by the Executive Risk Committee and are reported to the Risk Committee. The following table shows the aggregated number of the Group's Corporate and Industrial aggregated counterparty exposures (including direct and contingent exposures), which individually were greater than 5% of the Group's capital resources (Tier 1 and Tier 2 capital):

	2016 Number	2015 Number	2014 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	-	-	-

Appendix A – Additional Historical Information

Asset Quality

Financial assets individually assessed as impaired

	2016			2015		
	Gross Impaired Assets $M	Total Provisions for Impaired Assets $M	Net Impaired Assets $M	Gross Impaired Assets $M	Total Provisions for Impaired Assets $M	Net Impaired Assets $M
Australia						
Loans and other receivables:						
Housing Loans	921	(193)	728	835	(148)	687
Other Personal	255	(176)	79	266	(140)	126
Asset Financing	85	(28)	57	91	(28)	63
Other commercial and industrial	1,135	(579)	556	1,016	(589)	427
Financial assets individually assessed as impaired - Australia	2,396	(976)	1,420	2,208	(905)	1,303
Overseas						
Loans and other receivables:						
Housing Loans	99	(6)	93	102	(10)	92
Other Personal	12	(15)	(3)	13	(9)	4
Asset Financing	18	(10)	8	29	(10)	19
Other commercial and industrial	454	(111)	343	340	(84)	256
Financial assets individually assessed as impaired - overseas	583	(142)	441	484	(113)	371
Total financial assets individually assessed as impaired	2,979	(1,118)	1,861	2,692	(1,018)	1,674

Appendix A – Additional Historical Information

Asset Quality (continued)

	Australia 2016 $M	Overseas 2016 $M	Total 2016 $M
Non-Performing Loans by Size of Loan			
Less than $1 million	1,170	123	1,293
$1 million to $10 million	661	215	876
Greater than $10 million	644	303	947
Total	2,475	641	3,116

	Australia 2015 $M	Overseas 2015 $M	Total 2015 $M	Australia 2014 $M	Overseas 2014 $M	Total 2014 $M
Non-Performing Loans by Size of Loan						
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

Average Balances and Related Interest

			2016
Net interest margin	Avg Bal $M	Income $M	Yield %
Total interest earning assets	790,596	33,817	4. 28
Total interest bearing liabilities	733,754	16,882	2. 30
Net interest income and interest spread		16,935	1. 98
Benefit of free funds			0. 16
Net interest margin			2. 14

Appendix A – Additional Historical Information

Loans, Bills Discounted and Other Receivables

	2016 $M	2015 $M	2014 $M
Australia			
Overdrafts	26,857	22,353	23,350
Home loans [1]	409,452	383,174	360,218
Credit card outstandings	12,122	11,887	11,736
Lease financing	4,412	4,485	4,162
Bills discounted [2]	10,507	14,847	19,244
Term loans and other lending	140,784	124,312	107,728
Total Australia	604,134	561,058	526,438
Overseas			
Overdrafts	1,592	1,373	1,230
Home loans [1]	46,622	39,677	39,467
Credit card outstandings	912	816	803
Lease financing	72	335	339
Term loans and other lending	46,967	40,969	34,823
Total overseas	96,165	83,170	76,662
Gross loans, bills discounted and other receivables	700,299	644,228	603,100
Less			
Provisions for Loan Impairment (Section 3.2 of the Financial Statements):			
Collective provision	(2,783)	(2,739)	(2,739)
Individually assessed provisions	(935)	(879)	(1,127)
Unearned income:			
Term loans	(701)	(756)	(802)
Lease financing	(482)	(592)	(651)
	(4,901)	(4,966)	(5,319)
Net loans, bills discounted and other receivables	695,398	639,262	597,781

(1) Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Liabilities of similar values are included in Debt Issues (Group).
(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.

Finance Leases	2016 $M	2015 $M	2014 $M
Minimum lease payments receivable:			
Not later than one year	1,086	904	908
Later than one year but not later than five years	2,619	2,785	2,459
Later than five years	297	539	483
Total finance leases	4,002	4,228	3,850

Appendix A – Additional Historical Information

Deposits and Other Public Borrowings

	2016 $M
Australia	
Certificates of deposit	43,762
Term deposits	138,443
On demand and short term deposits	281,648
Deposits not bearing interest	35,164
Securities sold under agreements to repurchase	17,124
Total Australia	516,141
Overseas	
Certificates of deposit	9,098
Term deposits	32,069
On demand and short term deposits	27,327
Deposits not bearing interest	3,410
Securities sold under agreements to repurchase	-
Total overseas	71,904
Total deposits and other public borrowings	588,045

Appendix B – Definitions

Glossary of Terms

Term	Description
Assets Under Management	Assets Under Management ("AUM") represents the market value of assets for which the Bank acts as appointed manager. Growth and volatility in this balance is a key performance indicator for the Wealth Management business.
Bankwest	Bankwest is active in all domestic market segments, with lending diversified between housing and personal markets, including a full range of deposit products. Bankwest also provide business and rural relationship managed products and services to Western Australia based customers.
Business and Private Banking	Business & Private Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions, as well as providing banking and advisory services for high net worth individuals. We also provide Australia's leading equities trading and margin loan services through our CommSec business.
Corporate Centre (including eliminations)	Corporate Centre includes the results of unallocated Bank support functions such as Treasury, Investor Relations, Group Strategy, Marketing and Secretariat. It also includes Bank wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.
Corporations Act	Corporations Act 2001 (Cth)
Net Promoter Score (NPS)	This is an industry standard metric that measures a customer's willingness to recommend a brand's product and services to their friends, family and colleagues. In Consumer Atlas, Advocacy is measured on a scale of 0 to 10, with 0 being "Not at all likely" and 10 being "Extremely likely" to recommend. Net Promoter Score ("NPS") is a derived measure by subtracting Detractors (those who selected 0-6) from Promoters (9-10). Those who have selected 7-8 are known as Passives. In Roy Morgan advocacy measures the likelihood of individual retail customers who identified CBA as their main financial institution, recommending CBA to others. It is based on a scale of 1 to 10, with 1 being 'very unlikely' to recommend and 10 being 'very likely' to recommend. The Net Promoter Score ("NPS") is calculated by subtracting the percentage of 'Detractors' (score 1-6) from the percentage of 'Promoters' (score 9-10). The metric is reported as a 6 month rolling average, based on the Australian population aged 14 and over, surveyed by Roy Morgan. ®Net Promoter Score ("NPS") is a trademark of Bain and Company, Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. Last year, we introduced the Net Promoter Score as our way of measuring more than just customer satisfaction, but also looking at customer advocacy. NPS helps us understand our customers experiences, positive or negative. It helps us to identify and focus on the root cause of those perceptions, giving us the opportunity to directly address issues and continue to build on strengths.
Dividend payout ratio ("cash basis")	Dividends paid on ordinary shares divided by net profit after tax ("cash basis").
Dividend payout ratio ("statutory basis")	Dividends paid on ordinary shares divided by net profit after tax ("statutory basis").
DRP	Dividend reinvestment plan.
DRP participation	The percentage of total issued capital participating in the dividend reinvestment plan.
Earnings per share (basic)	Basic earnings per share is the net profit attributable to ordinary equity holders of the Bank, divided by the weighted average number of ordinary shares on issue during the period, per the requirements of relevant accounting standards.
Earnings per share (diluted)	Diluted earnings per share adjusts the net profit attributable to ordinary equity holders of the Bank and the weighted average number of ordinary shares on issue used in the calculation of basic earnings per share, for the effects of dilutive potential ordinary shares.
Expense to income ratio	Represents operating expenses as a percentage of total operating income. The ratio is a key efficiency measure.
Full-time equivalent staff	Includes all permanent full-time staff, part-time staff equivalents and external contractors employed through third-party agencies.
Funds Under Administration	Funds Under Administration ("FUA") represents the market value of funds administered by the Bank and excludes AUM. Growth and volatility in this balance is a key performance indicator for the Wealth Management business.
International Financial Services ("IFS")	International Financial Services incorporates the Asian retail and business banking operations (Indonesia, China and Vietnam), investments in Chinese and Vietnamese banks, the joint venture Chinese life insurance business, the life insurance operations in Indonesia and a financial services technology business in South Africa. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.
Institutional Banking and Markets	Institutional Banking and Markets serves the commercial and wholesale banking needs of large corporate, institutional and government clients across a full range of financial services solutions including access to debt capital markets, transaction banking, working capital and risk management through dedicated product and industry specialists. Institutional Banking and Markets has international operations in London, New York, Houston, Japan, Singapore, Malta, Hong Kong, New Zealand, Beijing and Shanghai.

Appendix B – Definitions

Glossary of Terms (continued)

Term	Description
Interest Rate Risk in the Banking Book ("IRRBB")	Interest Rate Risk in the Banking Book is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives: firstly by quantifying the change in the net present value of the Balance Sheet's future earnings potential, and secondly as the anticipated change to the Net Interest Income earned over 12 months. This calculation is driven by APRA regulations with further detail outlined in the Bank's Basel III Pillar 3 report.
Jaws (%)	The Bank uses Jaws as a key measure of financial performance. It is calculated as the difference between total operating income growth and operating expenses growth compared to the prior comparative period. The Jaws ratio is an efficiency and profitability indicator for the Bank.
Major Bank Levy	Introduced with the Treasury Laws Amendment ("Major Bank Levy") Bill 2017. The bill imposes a levy on authorised deposit-taking institutions with total liabilities of more than $100 billion.
Net profit after tax ("cash basis")	Represents net profit after tax and non-controlling interests before non-cash items including, hedging and IFRS volatility, Bankwest non-cash items, treasury shares valuation adjustment, and losses or gains on acquisitions, disposal, closure and demerger of businesses. This is Management's preferred measure of the Bank's financial performance.
Net profit after tax ("statutory basis")	Represents net profit after tax and non-controlling interests, calculated in accordance with Australian Accounting Standards. This is equivalent to the statutory item "Net profit attributable to Equity holders of the Bank".
Net tangible assets per share	Net assets excluding intangible assets, non-controlling interests, and other equity instruments divided by ordinary shares on issue at the end of the period (excluding Treasury Shares deduction).
New Zealand	New Zealand includes the banking, funds management and insurance businesses operating in New Zealand (excluding Institutional Banking and Markets), under the ASB and Sovereign brands. On 2 July 2018, CBA completed the sale of Sovereign.
Net Stable Funding Ratio (NSFR)	The NSFR more closely aligns the behaviour term of assets and liabilities. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding ("RSF"). ASF is the portion of an Authorised Deposit-taking Institutions (ADI) capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities.
Profit after capital charge ("PACC")	The Bank uses PACC, a risk-adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
Other Overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
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, under the CBA and Aussie brands. In addition, commission is received for the distribution of Wealth Management products through the retail distribution network.
Return on equity ("cash basis")	Based on cash net profit after tax and non-controlling interests less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests, other equity instruments and the treasury shares deduction. Return on equity is a performance metric that indicates shareholder return on investment for the period excluding capital growth.
Return on equity ("statutory basis")	Based on net profit after tax ("statutory basis") less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests and other equity instruments.
Total Committed Exposure ("TCE")	Total Committed Exposure is defined as the balance outstanding and undrawn components of committed facility limits. It is calculated before collateralisation and excludes gross settlement exposures on derivatives.
Wealth Management	Wealth Management provides superannuation, investment, retirement and insurance products and services including financial planning which help to improve the financial wellbeing of more than 2.1 million customers. In addition, as a global asset management business, we manage investments on behalf of institutional investors and pension funds, wholesale distributors and platforms, financial advisers and their clients.
Weighted average number of shares ("cash basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investment in the Bank's shares held by the employee share scheme trust.
Weighted average number of shares ("statutory basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investments in the Bank's shares held by both the life insurance statutory funds and by the employee share scheme trust.

Appendix B – Definitions

Market Share Definitions

Retail Banking

Home loans	CBA Loans to individuals that are Owner Occupied and Investment Home Loans + Securitised Housing Loans as per APRA monthly Banking Statistics + separately reported subsidiaries: Wallaby Trust, Residential Group Mortgage Group P/L and Homepath P/L.
	RBA Total Housing Loans (includes Banks, Non-Banks and Securitisation).
Credit cards (APRA)	CBA Personal Credit Card Lending (APRA).
	Loans to Households: Credit Cards (APRA Monthly Banking Statistics back series).
Consumer finance (other household lending)	CBA Lending to Individuals which includes: Personal Loans, Margin Lending, Personal Leasing, Revolving Credit, Overdrafts, and Home Loans for personal purposes.
	Loans to Households: Other (APRA Monthly Banking Statistics back series).
Household deposits	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for Households (individuals) excluding Self-Managed Super Funds (as per deposit balances submitted to APRA in ARF 320.0 Statement of Financial Position).
	Deposits from Households (APRA Monthly Banking Statistics back series).

Business Banking

Business lending (APRA)	CBA Total loans to residents as reported under APRA definitions for the Non-Financial Corporations sector (as per lending balances submitted to APRA in ARF 320.0 Statement of Financial Position) (this includes some Housing Loans to Business).
	Loans to Non-Financial Corporations (APRA Monthly Banking statistics back series).
Business lending (RBA)	CBA business lending and credit: specific "business lending" categories in lodged APRA returns – ARF 320.0 Statement of Financial Position Domestic Book, ARF 320.1 Debt Securities Held and ARF 320.4 Accepted and Endorsed Bills, excluding sub-categories of Banks, ADIs and RFCs and Governments.
	RBA Total business lending (seasonally adjusted).
Business deposits (APRA)	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for the non-financial corporation's sector (as per deposit balances submitted to APRA in ARF 320.0).
	Loans to Non-Financial Corporations (from APRA Monthly Banking Statistics back series).
Equities trading	Twelve months rolling average of total value of equities trades as measured by ASX.
	Twelve months rolling average of total value of equities market trades as measured by ASX.

Wealth Management

Australian Retail	Total funds in CBA Wealth Management retail investment products (including WM products badged by other parties).
	Total funds in retail investment products market (from Strategic Insight).
FirstChoice Platform	Total funds in FirstChoice platform.
	Total funds in platform/masterfund market (from Strategic Insight).
Australia life insurance (total risk)	Total risk inforce premium of all CBA Group Australian life insurance companies.
	Total risk inforce premium for all Australian life insurance companies (from Strategic Insight).
Australia life insurance (individual risk)	(Individual lump sum + individual risk income) inforce premium of all CBA Group Australian life insurance companies.
	Individual risk inforce premium for all Australian life insurance companies (from Strategic insight).

Appendix B – Definitions

Market Share Definitions (continued)

New Zealand

Home Loans	All ASB residential mortgages for owner occupier and residential investor property use.
	Total New Zealand residential mortgages for owner occupier and residential investor property use of all New Zealand registered banks (from RBNZ).
Customer Deposits	All resident and non-resident deposits on ASB Balance Sheet.
	Total resident and non-resident deposits of all New Zealand registered banks (from RBNZ).
Business Lending	All New Zealand dollar loans for business use on ASB Balance Sheet excluding agriculture loans.
	Total New Zealand dollar loans for business use of all New Zealand registered banks excluding agriculture loans (from RBNZ).
Retail AUM (1)	Total ASB AUM.
	Total Market net Retail AUM (from Fund Source Research Limited).
Annual inforce premiums (2)	Total Sovereign inforce premiums excluding health (opening inforce annual premium income + new business - exits - other).
	Total inforce premium for New Zealand (from Financial Services Council of New Zealand statistics).

(1) Presented on a continuing operations basis.
(2) Discontinued operations.

Appendix C – Disclosure Changes

Disclosure Changes

Change in Comparatives

- **Discontinued Operations**

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

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

  Note on an as reported basis, references to continuing operations have been classified as "n/a".

- **Re-segmentation**

  During the year, refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments as detailed in Note 2.7 to the 2018 Financial Report.

- **Reclassification of IT expenses by nature**

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

- **Other**

  No amendments to Australian Accounting Standards, including those changes in accounting policies described below, have been adopted during the period that have a material impact on the Group. However, changes regarding accounting of deferred tax on indefinite useful life of brand names led to changes in our financial disclosures. Comparative information has been restated to conform to presentation in the current period. All changes have been footnoted throughout the financial statements

Change in Accounting Policies

- **Deferred tax on indefinite useful life Brand Names**

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

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

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

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

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

- **Future Accounting Developments**

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

- **Other Accounting Developments**

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

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

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

Appendix C – Disclosure Changes

The impact of these changes on each segment's Net profit after tax ("statutory basis"), Balance Sheet and cost to income ratios for the comparative periods is set out below:

Segment Statutory NPAT (impact by adjustment type)

	Full Year Ended 30 June 2017							
	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	Group $M
Statutory NPAT - as published	4,964	1,639	1,306	530	1,000	699	(210)	9,928
Restatements								
Resegmentation and Allocations	(31)	169	5	(1)	(8)	(126)	(8)	-
Statutory NPAT - discontinued operations (Life Business)	-	-	-	(107)	(96)	-	-	(203)
Statutory NPAT - discontinued operations (TymeDigital / BoComm Life)	-	-	-	-	-	-	41	41
Statutory NPAT (continuing operations) - as restated	**4,933**	**1,808**	**1,311**	**422**	**896**	**573**	**(177)**	**9,766**

Segment Statutory NPAT (impact by P&L line item)

	Full Year Ended 30 June 2017							
	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	Group $M
Statutory NPAT - as published	4,964	1,639	1,306	530	1,000	699	(210)	9,928
Restatements								
Increase/(decrease) in Income	(20)	253	17	(415)	(235)	(210)	(83)	(693)
Increase/(decrease) in Investment experience	-	-	-	(53)	7	-	4	(42)
(Increase)/decrease in Operating expenses	(21)	(23)	(11)	250	114	40	107	456
(Increase)/decrease in Loan impairment expense	(3)	12	-	-	-	(10)	1	-
(Increase)/decrease in Corporate tax expense	13	(73)	(1)	106	10	54	4	113
(Increase)/decrease in Non-controlling interest	-	-	-	4	-	-	-	4
Statutory NPAT (Total operations) - as restated	**4,933**	**1,808**	**1,311**	**422**	**896**	**573**	**(177)**	**9,766**

Segment Balance Sheet

	As at 30 June 2017							
	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	Group $M
Total Assets - as published	356,503	106,972	173,234	22,014	86,784	86,166	144,701	**976,374**
Restatements								
Resegmentations and Allocations	(1,143)	9,322	(123)	-	-	(8,046)	(10)	**-**
Deferred tax asset	-	-	-	-	-	-	(56)	**(56)**
Total Assets - as restated	**355,360**	**116,294**	**173,111**	**22,014**	**86,784**	**78,120**	**144,635**	**976,318**
Total Liabilities - as published	252,773	83,499	161,807	27,455	80,625	56,691	249,808	**912,658**
Restatements								
Resegmentations and Allocations	(465)	1,426	305	-	-	(1,265)	(1)	**-**
Deferred tax liability	-	-	-	-	-	56	(56)	-
Total Liabilities - as restated	**252,308**	**84,925**	**162,112**	**27,455**	**80,625**	**55,482**	**249,751**	**912,658**

Appendix C – Disclosure Changes

Segment Cost to Income Ratios

	Full Year Ended 30 June 2017							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand [1]	Bankwest	IFS	Group
	%	%	%	%	%	%	%	%
Operating expenses to total operating income (%) - as published	30.8	39.1	37.6	70.9	38.4	42.1	69.4	42.4
Operating expenses to total operating income (continuing operations) (%) - as restated	31.0	37.3	37.7	72.3	36.9	45.2	57.9	41.9

(1) Metrics calculated in New Zealand dollar terms.

Group Performance Summary

	Full Year Ended 30 Jun 17	
	As Restated	As Published
	$M	$M
Net interest income	17,543	17,600
Other banking income	5,684	5,626
Total banking income	**23,227**	**23,226**
Funds management income	1,928	2,051
Insurance income	231	844
Total operating income	**25,386**	**26,121**
Investment experience	n/a	n/a
Total income	**25,386**	**26,121**
Operating expenses	(10,626)	(11,082)
Loan impairment expense	(1,095)	(1,095)
Net profit before tax	**13,665**	**13,944**
Corporate tax expense	(3,879)	(3,992)
Non-controlling interests	(20)	(24)
Net profit after tax from continuing operations	**9,766**	**9,928**
Net profit after tax from discontinued operations	162	-
Net profit after tax ("statutory basis")	**9,928**	**9,928**

Appendix C – Disclosure Changes

Consolidated Balance Sheet

	As at 30 Jun 17	
	As Restated	As Published
Assets	**$M**	**$M**
Cash and liquid assets	45,850	45,850
Receivables due from other financial institutions	10,037	10,037
Assets at fair value through Income Statement:		
Trading	32,704	32,704
Insurance	13,669	13,669
Other	1,111	1,111
Derivative assets	31,724	31,724
Available-for-sale investments	83,535	83,535
Loans, bills discounted and other receivables	731,762	731,762
Bank acceptances of customers	463	463
Property, plant and equipment	3,873	3,873
Investments in associates and joint ventures	2,778	2,778
Intangible assets	10,024	10,024
Deferred tax assets	906	962
Other assets	7,882	7,882
Assets held for sale	-	-
Total assets	**976,318**	**976,374**
Liabilities		
Deposits and other public borrowings	626,655	626,655
Payables due to other financial institutions	28,432	28,432
Liabilities at fair value through Income Statement	10,392	10,392
Derivative liabilities	30,330	30,330
Bank acceptances	463	463
Current tax liabilities	1,450	1,450
Deferred tax liabilities	332	332
Other provisions	1,780	1,780
Insurance policy liabilities	12,018	12,018
Debt issues	167,571	167,571
Managed funds units on issue	2,577	2,577
Bills payable and other liabilities	11,932	11,932
Liabilities held for sale	-	-
	893,932	**893,932**
Loan capital	18,726	18,726
Total liabilities	912,658	912,658
Net assets	**63,660**	**63,716**
Shareholders' Equity		
Share capital:		
Ordinary share capital	34,971	34,971
Reserves	1,869	1,869
Retained profits	26,274	26,330
Shareholders' Equity attributable to Equity holders of the Bank	63,114	63,170
Non-controlling interests	546	546
Total Shareholders' Equity	**63,660**	**63,716**

Appendix D – Shareholding Information

Top 20 Holders of Fully Paid Ordinary Shares as at 2 August 2018

Rank	Name of Holder	Number of Shares	%
1	HSBC Custody Nominees (Australia) Limited	370,746,865	21.07
2	J P Morgan Nominees Australia Limited	228,386,048	12.98
3	Citicorp Nominees Pty Limited	98,454,740	5.59
4	National Nominees Limited	57,172,719	3.25
5	BNP Paribas Noms Pty Limited	51,468,942	2.92
6	Bond Street Custodians Limited	14,656,952	0.83
7	Australian Foundation Investment Company limited	7,900,000	0.45
8	Navigator Australia Limited	3,670,568	0.21
9	Argo Investments Limited	3,203,731	0.18
10	Milton Corporation Limited	3,119,505	0.18
11	Netwealth Investments Limited	2,956,624	0.17
12	Nulis Nominees (Australia) Limited	2,142,125	0.12
13	Mr. Barry Martin Lambert	1,643,613	0.09
14	Invia Custodian Pty Limited	1,592,260	0.09
15	IOOF Investment Management Limited	1,499,545	0.09
16	McCusker Holdings Pty Ltd	1,470,000	0.08
17	ANZ Executors & Trustee	1,328,789	0.08
18	RBC Dexia Investor Services Australia Nominees Pty Limited	1,243,309	0.07
19	Australian Executor Trustees Limited	1,228,937	0.07
20	Joy Wilma Lambert	1,068,250	0.06

The top 20 shareholders hold 854,953,522 shares which is equal to 48.58% of the total shares on issue.

Substantial Shareholding

The following organisation has disclosed a substantial shareholding notice to ASX.

Name	Number of Shares	Percentage of Voting Power
BlackRock Group (1)	90,210,750	5.13

(1) Substantial shareholder notice dated 16 May 2017. Shareholding as at 29 June 2018.

Stock Exchange Listing

The shares of the Commonwealth Bank of Australia ("Bank") are listed on the Australian Securities Exchange under the trade symbol CBA, with Sydney being the home exchange.

Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank. The Bank is not currently in the market conducting an on market buy-back of its shares.

Range of Shares (Fully Paid Ordinary Shares and Employee Shares) as at 30 July 2018

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	591,209	73.01	186,153,941	10.58
1,001 – 5,000	190,162	23.48	395,673,395	22.48
5,001 – 10,000	19,815	2.45	134,818,887	7.66
10,001 – 100,000	8,433	1.04	158,583,477	9.01
100,001 and over	186	0.02	884,613,230	50.27
Total	809,805	100.00	1,759,842,930	100.00
Less than marketable parcel of $500	15,346	1.90	45,921	0.00

Voting Rights

Under the Bank's Constitution, each person who is a voting Equity holder and who is present at a general meeting of the Bank in person or by proxy, attorney or official representative is entitled:

- On a show of hands – to one vote; and
- On a poll – to one vote for each share held or represented. Every voting Equity holder who casts a vote by direct vote, shall also have one vote for each share held or represented.

If a person present at a general meeting represents personally or by proxy, attorney or official representative more than one Equity holder, on a show of hands the person is entitled to one vote even though he or she represents more than one Equity holder.

Appendix D – Shareholding Information

If an Equity holder is present in person and votes on a resolution, any proxy or attorney of that Equity holder is not entitled to vote.

If more than one official representative or attorney is present for an Equity holder:

- None of them is entitled to vote on a show of hands; and
- On a poll only one official representative may exercise the Equity holder's voting rights and the vote of each attorney shall be of no effect unless each is appointed to represent a specified proportion of the Equity holder's voting rights, not exceeding in aggregate 100%.

If an Equity holder appoints two proxies and both are present at the meeting:

- If the appointment does not specify the proportion or number of the Equity holder's votes each proxy may exercise, then each proxy may exercise one half of the Equity holder's votes;
- Neither proxy shall be entitled to vote on a show of hands; and
- On a poll each proxy may only exercise votes in respect of those shares or voting rights the proxy represents.

Top 20 Holders of Perpetual Exchangeable Resaleable Listed Securities VI ("PERLS VI") as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	997,275	4.99
2	Bond Street Custodians Limited	422,489	2.11
3	IOOF Investment Management Limited	252,642	1.26
4	National Nominees Limited	241,231	1.21
5	Netwealth Investments Limited	241,217	1.21
6	BNP Paribas Nominees Pty Ltd	224,874	1.12
7	J P Morgan Nominees Australia Limited	173,696	0.87
8	Nulis Nominees (Australia) Limited	168,709	0.84
9	Citicorp Nominees Pty Limited	118,024	0.59
10	Navigator Australia Limited	117,797	0.59
11	Dimbulu Pty Limited	100,000	0.50
12	Eastcote Pty Limited	100,000	0.50
13	Australian Executor Trustees Limited	90,923	0.45
14	V S Access Pty Limited	80,000	0.40
15	Invia Custodian Pty Limited	65,945	0.33
16	Marento Pty Ltd	52,916	0.26
17	Mutual Trust Pty Limited	51,228	0.26
18	Edgelake Proprietary Limited	49,267	0.25
19	Kaptock Pty Limited	48,730	0.24
20	Junax Capital Pty Ltd	47,000	0.24

The top 20 PERLS VI security holders hold 3,643,963 securities which is equal to 18.22% of the total securities on issue.

Stock Exchange Listing

PERLS VI are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPC. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS VI) as at 30 July 2018

Range	Number of Security Holders	Percentage of Security Holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	25,239	89.29	8,263,689	41.31
1,001 – 5,000	2,723	9.63	5,517,381	27.59
5,001 – 10,000	194	0.69	1,441,572	7.21
10,001 – 100,000	100	0.35	2,308,079	11.54
100,001 and over	11	0.04	2,469,279	12.35
Total	28,267	100.00	20,000,000	100.00
Less than marketable parcel of $500	9	0.03	22	0.00

Voting Rights

PERLS VI do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 173 and 174 for the Bank's ordinary shares.

Appendix D – Shareholding Information

Top 20 Holders of CommBank PERLS VII Capital Notes ("PERLS VII") as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	2,403,303	8.01
2	BNP Paribas Noms Pty Limited	965,593	3.22
3	Netwealth Investments Limited	507,694	1.69
4	Bond Street Custodians Limited	371,713	1.24
5	J P Morgan Nominees Australia Limited	313,843	1.05
6	National Nominees Limited	300,007	1.00
7	IOOF Investment Management Limited	282,085	0.94
8	Citicorp Nominees Pty Limited	252,287	0.84
9	Nulis Nominees (Australia) Limited	202,216	0.67
10	Navigator Australia Limited	185,200	0.62
11	Australian Executor Trustees Limited	130,665	0.44
12	Dimbulu Pty Limited	100,000	0.33
13	Invia Custodian Pty Limited	96,444	0.32
14	Tandom Pty Limited	90,000	0.30
15	Randazzo C & G Developments Pty Limited	84,286	0.28
16	Tsco Pty Limited	80,000	0.27
17	Simply Brilliant Pty Limited	75,000	0.25
18	Mutual Trust Pty Limited	74,362	0.25
19	Seymour Group Pty Limited	73,700	0.25
20	Willimbury Pty Limited	70,673	0.24

The top 20 PERLS VII security holders hold 6,659,071 securities which is equal to 22.21% of the total securities on issue.

Stock Exchange Listing

PERLS VII are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPD. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS VII) as at 2 August 2018

Range	Number of Security holders	Percentage of Security holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	27,875	86.13	9,670,068	32.24
1,001 – 5,000	3,974	12.28	8,004,918	26.68
5,001 – 10,000	300	0.92	2,145,521	7.15
10,001 – 100,000	203	0.63	4,810,090	16.03
100,001 and over	13	0.04	5,369,403	17.90
Total	32,365	100.00	30,000,000	100.00
Less than marketable parcel of $500	8	0.02	27	0.00

Voting Rights

PERLS VII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 173 and 174 for the Bank's ordinary shares.

Appendix D – Shareholding Information

Top 20 Holders of CommBank PERLS VIII Capital Notes (“PERLS VIII”) as at 2 August 2018

Rank	Name of Holder	Number of Securities	%
1	BNP Paribas Noms Pty Limited	3,178,248	21.92
2	HSBC Custody Nominees (Australia) Limited	943,954	6.51
3	Goodridge Nominees Pty Ltd	208,870	1.44
4	J P Morgan Nominees Australia Limited	127,344	0.88
5	Mr. Walter Lawton & Mr. Brett Lawton	108,573	0.75
6	G Harvey Nominees Pty Ltd	100,000	0.69
7	Piek Holdings Pty Ltd	93,000	0.64
8	Netwealth Investments Limited	90,418	0.62
9	National Nominees Limited	79,158	0.55
10	Snowside Pty Limited	79,083	0.55
11	Bond Street Custodians Limited	71,560	0.49
12	Nulis Nominees (Australia) Limited	70,476	0.49
13	Citicorp Nominees Pty Limited	65,420	0.45
14	V S Access Pty Limited	62,482	0.43
15	Navigator Australia Limited	57,610	0.40
16	Dimbulu Pty Limited	50,000	0.34
17	Mifare Pty Limited	50,000	0.34
18	Randazzo C & G Developments Pty Limited	50,000	0.34
19	Adirel Holdings Pty Limited	47,000	0.32
20	Resthaven Incorporated	45,500	0.31

The top 20 PERLS VIII security holders hold 5,578,696 securities which is equal to 38.46% of the total securities on issue.

Stock Exchange Listing

PERLS VIII are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPE. Details of trading activity are published in some daily newspapers.

Range of Shares (PERLS VIII) as at 2 August 2018

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	13,149	89.37	4,250,053	29.31
1,001 – 5,000	1,374	9.34	2,945,723	20.32
5,001 – 10,000	120	0.82	888,629	6.13
10,001 – 100,000	64	0.43	1,963,409	13.54
100,001 and over	6	0.04	4,452,186	30.70
Total	14,713	100.00	14,500,000	100.00
Less than marketable parcel of $500	3	0.02	7	0.00

Voting Rights

PERLS VIII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 173 and 174 for the Bank’s ordinary shares.

Appendix D – Shareholding Information

Top 20 Holders of CommBank PERLS IX Capital Notes (“PERLS IX”) as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	BNP Paribas Nominees Pty Ltd	2,504,391	15.27
2	HSBC Custody Nominees (Australia) Limited	1,246,863	7.60
3	Bond Street Custodians Limited	234,797	1.43
4	Navigator Australia Limited	218,318	1.33
5	Dimbulu Pty Limited	147,700	0.90
6	Citicorp Nominees Pty Limited	147,080	0.90
7	J P Morgan Nominees Australia Limited	125,468	0.77
8	Netwealth Investments Limited	109,516	0.67
9	Mutual Trust Pty Limited	103,145	0.63
10	G Harvey Investments Pty Limited	100,000	0.61
11	IOOF Investment Management Limited	97,716	0.60
12	Nulis Nominees (Australia) Limited	93,452	0.57
13	National Nominees Limited	84,614	0.52
14	Australian Executor Trustees Limited	71,800	0.44
15	Ranamok Pty Limited	71,365	0.44
16	Invia Custodian Pty Limited	62,613	0.38
17	Ernron Pty Ltd	34,530	0.21
18	J C Family Investments Pty Limited	33,264	0.20
19	Sir Moses Montefiore Jewish Home	30,660	0.19
20	Pendant Realty Pty Ltd	30,000	0.18

The top 20 PERLS IX security holders hold 5,526,649 securities which is equal to 33.67% of the total securities on issue.

Stock Exchange Listing

PERLS IX are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPF. Details of trading activity are published in some daily newspapers.

Range of Shares (PERLS IX) as at 30 July 2018

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	18,090	90.31	5,723,191	34.90
1,001 – 5,000	1,737	8.67	3,619,443	22.07
5,001 – 10,000	129	0.64	969,294	5.91
10,001 – 100,000	66	0.33	1,733,427	10.57
100,001 and over	9	0.05	4,354,645	26.55
Total	20,031	100.00	16,400,000	100.00
Less than marketable parcel of $500	3	0.01	4	0.00

Voting Rights

PERLS IX do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 173 and 174 for the Bank’s ordinary shares.

Appendix D – Shareholding Information

Top 20 Holders of CommBank PERLS X Capital Notes ("PERLS X") as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	1,308,096	9.58
2	BNP Paribas Nominees Pty Ltd	1,068,430	7.83
3	Citicorp Nominees Pty Limited	394,146	2.89
4	J P Morgan Nominees Australia Limited	116,377	0.85
5	Bond Street Custodians Limited	107,237	0.79
6	Dimbulu Pty Limited	100,000	0.73
7	Tandom Pty Limited	100,000	0.73
8	Randazzo C & G Developments Pty Limited	80,000	0.59
9	Rakio Pty Limited	77,000	0.56
10	Ernron Pty Ltd	74,428	0.55
11	Nora Goodridge Investments Pty Limited	70,000	0.51
12	Netwealth Investments Limited	69,888	0.51
13	Hanson Tsai Pty Limited	60,000	0.44
14	Navigator Australia Limited	57,362	0.42
15	Eastcote Pty Limited	50,000	0.37
16	Federation University Australia	50,000	0.37
17	Harriette & Co Pty Limited	50,000	0.37
18	National Nominees Limited	42,121	0.31
19	Invia Custodian Pty Limited	34,215	0.25
20	Raffy Holdings Pty Limited	29,910	0.22

The top 20 PERLS X security holders hold 3,939,210 securities which is equal to 28.87% of the total securities on issue.

Stock Exchange Listing

PERLS X are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPG. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS X) as at 30 July 2018

Range	Number of Security holders	Percentage of Security holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	13,340	88.57	4,585,925	33.60
1,001 – 5,000	1,513	10.05	3,303,894	24.20
5,001 – 10,000	130	0.86	1,009,841	7.40
10,001 – 100,000	74	0.49	1,956,444	14.33
100,001 and over	5	0.03	2,793,896	20.47
Total	15,062	100.00	13,650,000	100.00
Less than marketable parcel of $500	2	0.01	9	0.00

Voting Rights

PERLS X do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 173 and 174 for the Bank's ordinary shares.