Commonwealth Bank of Australia
U.S. Disclosure Document
For the Full Year ended 30 June 2016

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Contents

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Contents

Section 1 - Disclosures

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 2016 Financial Report and 2015 Financial Report (each as defined below). In particular, Note 31 to the 2016 Financial Report (2015: Note 31) 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 2016 (this "Document") should be read in conjunction with:

- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2016, which contains the Financial Statements for the years ended 30 June 2014, 2015 and 2016 and as at 30 June 2015 and 2016 (the "2016 Financial Report");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2015, which contains the Financial Statements for the years ended 30 June 2013, 2014 and 2015 and as at 30 June 2014 and 2015 (the "2015 Financial Report"); and
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosures for the Full Year ended 30 June 2016.

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 2016 Financial Report and references to the "Financial Reports" are to the 2015 Financial Report and the 2016 Financial Report.

Except as otherwise stated, all figures herein relate to the financial year ended 30 June 2016 and comparatives for the Balance Sheet and Income Statement are to the financial year ended 30 June 2015, '$' and 'AUD' refer to Australian dollars, 'USD' refers to U.S. dollars, references to the "Bank" or "CBA" refer to the Commonwealth Bank of Australia and references to 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 2016 financial year or to the "current year" are to the financial year ended 30 June 2016, references to the 2015 financial year are to the financial year ended 30 June 2015, references to the 2014 financial year are to the financial year ended 30 June 2014 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 and International Financial Services (IFS) and Other. For an overview of each segment, see "Description of Business Environment" in this Document and Note 26 to the 2016 Financial Report.

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 economic conditions, disruptions in the global financial markets and associated impacts; a downturn in the Australian and New Zealand economies; liquidity and funding risks; adverse financial and credit market conditions affecting the Group’s ability to access domestic and international capital markets; failure to meet the capital adequacy and liquidity requirements the Group is subject to; the extensive regulation the Group is subject to; future regulatory actions; failure to maintain the Group’s credit ratings; failure to hedge effectively against adverse fluctuations in exchange rates; losses associated with the Group’s counterparty exposures; operational risks associated with being a complex financial institution, including ineffective risk management processes and strategies; any inappropriate conduct of the Bank’s staff; risks pertaining to the provision of advice, recommendations or guidance about financial products and services in the course of its sales and marketing activities; technology risks associated with being a complex financial institution; information security risks, including cyber-attacks; reputational damage; market risks; insurance risks; strategic business risks; competition in the industries in which the Group conducts business; any changes to the Group’s accounting policies and their application; risks related to any acquisitions the Group makes; catastrophic events; legal liability or regulatory action against the Group 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 15 to 22 of this Document.

Financial Information Definitions

Basis of preparation

The consolidated Financial Statements of the Group for the years ended 30 June 2016, 30 June 2015 and 30 June 2014 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 the 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 and the Australian Accounting Standards, which comply with IFRS.

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 Bankwest non-cash items, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustments and unrealised gains and losses related to hedging and IFRS volatility. This measure is used by management to present a view of the Group's underlying operating results, excluding a number of items that the Group believes introduce volatility and/or one-off distortions of the Group's performance. These items 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 26 to the 2016 Financial Report. A list of items excluded from Net profit after tax ("cash basis") and their description is set out on page 8 of this Document.

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.
- Funds Under Administration ("FUA") represents the market value of funds administered by the Group and excludes Assets Under Management ("AUM"). AUM represents the market value of assets for which the Group acts as appointed manager and manages on behalf of clients. The Group derives fund management fees from FUA and AUM and management believes that the reporting of these measures assists investors in evaluating the Group's funds management operations.
- 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 disclosures within this Document. A description of the changes and the 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. Changes to comparative information has been footnoted through this Document. However certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to allow a comparison to the Group's historical operations, the 2015 year is present on both a "Restated" and "As reported" basis for certain customer segment figures.

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.

Exchange Rates Utilised (1)	Currency	As at 30 Jun 16	30 Jun 15	30 Jun 14
AUD 1.00 =	USD (2)	**0. 7431**	0. 7681	0. 9405
	EUR	**0. 6689**	0. 6880	0. 6892
	GBP	**0. 5534**	0. 4893	0. 5525
	NZD	**1. 0470**	1. 1283	1. 0762
	JPY	**76. 2441**	94. 0578	95. 4517

(1) End of day, Sydney time.
(2) USD translated from AUD using 30 June 2016 month end Noon Buying Rate (see month end Noon Buying Rate in the table on page 23 of this Document).

Exchange Rates Utilised (1)	Currency	Average rates 30 Jun 16	30 Jun 15	30 Jun 14
AUD 1.00 =	USD (2)	**0. 7287**	0. 8355	0. 9147
	EUR	**0. 6566**	0. 6960	0. 6729
	GBP	**0. 4918**	0. 5303	0. 5602
	NZD	**1. 0907**	1. 0745	1. 1026
	JPY	**85. 0665**	95. 5100	92. 3763

(1) Average of end of day Sydney time rates for the 12 month period. Source: Noon Buying Rate (as defined in "Financial Review – Exchange Rates" on page 23 of this Document) for USD.
(2) USD translated from AUD using 30 June 2016 month end Noon Buying Rate (see month end Noon Buying Rate in the table on page 23 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 26 to the 2016 Financial Report.

The references to the weaker Australian dollar or lower Australian dollar in this Document are to the weakening of the Australian dollar against the currencies disclosed in the table above.

Non-Cash Items Included in Statutory Profit

	Full Year Ended				
	30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M	Jun 16 vs Jun 15 %	Jun 15 vs Jun 14 %
Hedging and IFRS volatility	**(200)**	6	6	large	-
Bankwest non-cash items	**(27)**	(52)	(56)	(48)	(7)
Treasury shares valuation adjustment	**4**	(28)	(41)	large	(32)
Bell Group litigation	**-**	-	25	-	large
Gain on sale of management rights	**-**	-	17	-	large
Other non-cash items	**(23)**	(80)	(55)	(71)	45
Total non-cash items (after tax)	**(223)**	(74)	(49)	large	51

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 26 to the 2016 Financial Report.

Hedging and IFRS volatility

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

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

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

Fair value gains or losses on all of these economic hedges are excluded from cash profit, because the asymmetric recognition of the gains or losses does not affect the Group's performance over the life of the hedge. A $200 million after tax loss was recognised in statutory profit for the year ended 30 June 2016 (30 June 2015: $6 million after tax gain; 30 June 2014: $6 million after tax gain).

Bankwest non-cash items

The acquisition of Bankwest resulted in the recognition of assets at fair value, representing certain financial instruments, core deposits, customer lists and brand name totalling $463 million. The core deposits and customer lists have been amortising over their useful life, resulting in amortisation charges of $27 million after tax in the year ended 30 June 2016 (30 June 2015: $52 million; 30 June 2014: $56 million). The core deposits have now been fully amortised. As such, management expects these amortisation charges to decrease in future periods. 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 are recognised in cash profit representing the underlying performance of the asset portfolio attributable to the wealth and life insurance businesses. These distributions, gains and losses are reversed as non-cash items for statutory reporting purposes. A $4 million after tax gain was included in statutory profit in the year ended 30 June 2016 (30 June 2015: $28 million after tax loss; 30 June 2014: $41 million after tax loss).

Bell Group litigation

Proceedings were brought by the liquidators of the Bell Group of companies against the consortium of banks that restructured its facilities on 26 January 1990. The Supreme Court of Western Australia Court of Appeal ruling on 17 August 2012 was adverse for the consortium of banks and resulted in an additional provision being raised by the Group. Settlement was reached during the 2014 financial year, resulting in a partial write-off and release of the remaining provision. This is reported as a non-cash item due to its historic and one-off nature.

Gain on sale of management rights

During the 2014 financial year, the Group successfully completed the internalisation of the management of CFS Retail Property Trust ("CFX") and Kiwi Income Property Trust ("KIP") and ceased to manage Commonwealth Property Office Fund ("CPA"). The Group also sold its entire proprietary unit holding in CPA and KIP and part of its proprietary unit holding in CFX (together, the "Property Transactions"), which resulted in a gain (net of transaction costs and indemnities) of $17 million for the year ended 30 June 2014. This is reported as a non-cash item due to its historic and one-off nature.

Policyholder tax

Policyholder tax is included in the Wealth Management business results for statutory reporting purposes. In the year ended 30 June 2016, tax expense of $101 million (30 June 2015: $99 million; 30 June 2014: $126 million), a funds management income refund of $8 million (30 June 2015: $21 million income) and insurance income of $109 million (30 June 2015: $78 million; 30 June 2014: $59 million income) were recognised. The gross up of these items is excluded from cash profit, as they do not reflect the underlying performance of the business, which is measured on a net of policyholder tax basis.

Investment experience

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

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Contents

Section 2 - Highlights

Group Performance Highlights [1]

	Full Year Ended ("statutory basis")				Full Year Ended ("cash basis")			
	30 Jun 16	30 Jun 15	30 Jun 14	Jun 16 vs Jun 15 %	30 Jun 16	30 Jun 15	30 Jun 14	Jun 16 vs Jun 15 %
Net profit after tax ($M)	**9,227**	9,063	8,631	2	**9,450**	9,137	8,680	3
Return on equity (%)	**16. 2**	18. 2	18. 7	(200)bpts	**16. 5**	18. 2	18. 7	(170)bpts
Earnings per share - basic (cents)	**542. 5**	553. 7	530. 6	(2)	**555. 1**	557. 5	532. 7	-
Dividends per share (cents)	**420**	420	401	-	**420**	420	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.

These "Highlights" contain forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 5 of this Document.

Financial Performance

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

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

This management discussion and analysis discloses the Net profit after tax on both a statutory and cash basis. The statutory basis is prepared and audited in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with IFRS. The cash basis is used by management to present what it believes to be a clear view of the Group's underlying operating results, excluding items that introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently with the prior year and prior half disclosures and do not discriminate between positive and negative adjustments. A list of items excluded from Net profit after tax ("cash basis") but included in Net Profit after tax ("statutory basis") is provided on page 8 of this Document. A reconciliation of Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 26 to the 2016 Financial Report.

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

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

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

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

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

Capital

The Group strengthened its capital position during the year, by undertaking a $5.1 billion institutional and retail entitlement offer, ahead of APRA's requirement that the Group hold additional capital with respect to Australian residential mortgages becoming effective from 1 July 2016. The capital raising places the Group in a strong position with the Basel III Common Equity Tier 1 ("CET1") ratio of 10.6% as at 30 June 2016, which is above regulatory minimum levels.

Funding

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

Dividends

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

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

Outlook

The discussion below includes forward-looking statements. See "Disclosures – Special Note Regarding Forward-Looking Statements" on page 5 of this Document.

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

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

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

Highlights

Group Performance Summary (1)	Full Year Ended ("cash basis") 30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M	Full Year Ended ("statutory basis") 30 Jun 16 $M	Restated 30 Jun 15 (1) $M	As reported 30 Jun 15 $M	30 Jun 14 $M
Net interest income (1)	**16,935**	15,827	15,131	**16,935**	15,823	15,795	15,101
Other banking income (1)	**4,860**	4,811	4,283	**4,576**	4,828	4,856	4,320
Total banking income	**21,795**	20,638	19,414	**21,511**	20,651	20,651	19,421
Funds management income	**2,016**	1,938	1,933	**2,061**	2,003	2,003	2,034
Insurance income	**795**	792	819	**1,006**	1,014	1,014	1,033
Total operating income	**24,606**	23,368	22,166	**24,578**	23,668	23,668	22,488
Investment experience	**141**	210	235	**-**	-	-	-
Total income	**24,747**	23,578	22,401	**24,578**	23,668	23,668	22,488
Operating expenses	**(10,429)**	(9,993)	(9,499)	**(10,468)**	(10,068)	(10,068)	(9,573)
Loan impairment expense	**(1,256)**	(988)	(953)	**(1,256)**	(988)	(988)	(918)
Net profit before tax	**13,062**	12,597	11,949	**12,854**	12,612	12,612	11,997
Corporate tax expense (2)	**(3,592)**	(3,439)	(3,250)	**(3,607)**	(3,528)	(3,528)	(3,347)
Non-controlling interests (3)	**(20)**	(21)	(19)	**(20)**	(21)	(21)	(19)
Net profit after tax ("cash basis")	**9,450**	9,137	8,680	**n/a**	n/a	n/a	n/a
Hedging and IFRS volatility (4)	**(200)**	6	6	**n/a**	n/a	n/a	n/a
Other non-cash items (4)	**(23)**	(80)	(55)	**n/a**	n/a	n/a	n/a
Net profit after tax ("statutory basis")	**9,227**	9,063	8,631	**9,227**	9,063	9,063	8,631
Represented by: (1)							
Retail Banking Services				**4,436**	3,994	3,867	3,678
Business and Private Banking				**1,567**	1,495	1,459	1,321
Institutional Banking and Markets				**1,164**	1,285	1,268	1,277
Wealth Management				**621**	625	622	765
New Zealand				**738**	925	908	752
Bankwest				**736**	743	700	619
IFS and Other				**(35)**	(4)	239	219
Net profit after tax ("statutory basis")				**9,227**	9,063	9,063	8,631

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" customer segment figures are presented for the 2016 financial year and the 2015 financial year and "As reported" customer segment figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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 the purposes of presentation of Net profit after tax ("cash basis"), policyholder tax expense components of corporate tax expense are shown on a net basis (30 June 2016: $101 million, 30 June 2015: $99 million and 30 June 2014: $126 million).

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

(4) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 Group's financial performance, as they tend to be non-recurring in nature or not considered representative of the Group's ongoing financial performance. The items for the period are unrealised gains and losses related to hedging and IFRS volatility ($200 million expense), Bankwest non-cash items ($27 million expense) and treasury shares valuation adjustment ($4 million gain). A reconciliation of the Net profit after tax ("cash basis") to Net profit after tax ("statutory basis") by business segment is provided in Note 26 to the 2016 Financial Report.

Key Performance Indicators	Full Year Ended (1)			
		Restated	As reported	
	30 Jun 16	30 Jun 15	30 Jun 15	30 Jun 14
Group				
Statutory net profit after tax ($M)	**9,227**	9,063	9,063	8,631
Net interest margin (%)	**2. 07**	2. 09	2. 09	2. 14
Net interest margin excluding Treasury and Markets (%)	**2. 06**	2. 06	2. 03	2. 04
Average interest earning assets ($M)	**817,457**	755,872	754,872	705,371
Average interest bearing liabilities ($M)	**760,615**	713,084	714,159	661,733
Funds Under Administration ("FUA") - average ($M) (2)	**143,312**	138,358	287,136	263,860
Assets Under Management ("AUM") - average ($M) (3)	**202,000**	199,264	-	-
Average inforce premiums ($M)	**3,401**	3,259	3,259	3,068
Statutory operating expenses to total operating income (%)	**42. 6**	42. 5	42. 5	42. 6
Statutory effective corporate tax rate (%)	**27. 5**	27. 4	27. 4	27. 1
Retail Banking Services				
Statutory net profit after tax ($M)	**4,436**	3,994	3,867	3,678
Statutory operating expenses to total banking income (%)	**32. 6**	34. 1	34. 9	35. 2
Business and Private Banking				
Statutory net profit after tax ($M)	**1,567**	1,495	1,459	1,321
Statutory operating expenses to total banking income (%)	**38. 1**	38. 4	38. 4	38. 7
Institutional Banking and Markets				
Statutory net profit after tax ($M)	**1,164**	1,285	1,268	1,277
Statutory operating expenses to total banking income (%)	**37. 9**	34. 6	35. 9	35. 4
Wealth Management				
Statutory net profit after tax ($M)	**621**	625	622	765
FUA - average ($M) (2)	**132,632**	128,880	273,800	241,405
AUM - average ($M) (3)	**197,569**	195,406	-	-
Average inforce premiums ($M)	**2,474**	2,388	2,388	2,237
Statutory operating expenses to net operating income (%)	**65. 7**	66. 4	66. 5	59. 3
New Zealand				
Statutory net profit after tax ($M)	**738**	925	908	752
FUA - average ($M)	**10,680**	9,478	13,336	10,877
AUM - average ($M)	**4,431**	3,858	-	-
Average inforce premiums ($M)	**672**	638	638	590
Statutory operating expenses to total operating income (%) (4)	**38. 5**	39. 4	40. 3	42. 8
Bankwest				
Statutory net profit after tax ($M)	**736**	743	700	619
Statutory operating expenses to total banking income (%)	**43. 8**	46. 0	47. 5	49. 5
Capital (Basel III)				
Common Equity Tier 1 (APRA) (%)	**10. 6**	9. 1	9. 1	9. 3
Leverage Ratio (Basel III) (5)				
Leverage Ratio (APRA)	**5. 0**	n/a	n/a	n/a

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" customer segment figures are presented for the 2016 financial year and the 2015 financial year and "As reported" customer segment figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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 period, the Group amended its approach used to determine FUA to align with market convention. See Appendix C for further details. Comparative figures for the 2014 financial year have not been disclosed.

(3) The Group commenced the disclosure of AUM on 31 December 2015.

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

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

Highlights

Shareholder Summary	Full Year Ended 30 Jun 16	Restated [1] 30 Jun 15	As reported 30 Jun 15	As reported 30 Jun 14
Dividends per share - fully franked (cents)	**420**	420	420	401
Dividend cover - statutory (times)	**1. 3**	1. 3	1. 3	1. 3
Dividend cover - cash (times)	**1. 3**	1. 3	1. 3	1. 3
Earnings per share (cents) [2]				
Statutory basis - basic	**542. 5**	553. 7	557. 0	533. 8
Statutory basis - fully diluted	**529. 5**	539. 6	542. 7	521. 9
Cash basis - basic	**555. 1**	557. 5	560. 8	535. 9
Cash basis - fully diluted	**541. 5**	543. 2	546. 3	524. 0
Dividend payout ratio (%) [3]				
Statutory basis	**78. 3**	75. 7	75. 7	75. 5
Cash basis	**76. 5**	75. 1	75. 1	75. 1
Weighted average no. of shares ("statutory basis") - basic (M) [4]	**1,692**	1,627	1,618	1,608
Weighted average no. of shares ("cash basis") - basic (M) [5]	**1,693**	1,630	1,620	1,611
Return on equity ("statutory basis") (%) [6]	**16. 2**	18. 2	18. 2	18. 7
Return on equity ("cash basis") (%) [7]	**16. 5**	18. 2	18. 2	18. 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) Earnings per Share ("statutory basis") figures calculated in accordance with AASB 133: Earnings per Share.
(3) Dividend payout ratio is equal to dividends paid on the Group's ordinary shares divided by earnings (earnings are net of dividends on other equity instruments).
(4) Weighted average number of shares ("statutory basis") – basic includes an adjustment to exclude "Treasury Shares" related to investments in the Group's shares held by both the life insurance statutory funds and by the employee share scheme trust. Fully diluted weighted average number of shares are disclosed in Note 6 to the 2016 Financial Report.
(5) Weighted average number of shares ("cash basis") – basic includes an adjustment to exclude "Treasury Shares" related to investment in the Group's shares held by the employee share scheme trust.
(6) Return on equity ("statutory basis") is 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.
(7) Return on equity ("cash basis") is based on Net profit after tax ("cash basis") and non-controlling interests less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests, other equity instruments and treasury shares.

Market Share [1]	As at 30 Jun 16 %	31 Dec 15 %	30 Jun 15 %	Jun 16 vs Dec 15 %	Jun 16 vs Jun 15 %
Home loans	**25. 3**	25. 1	25. 2	20 bpts	10 bpts
Credit cards - RBA [2]	**24. 4**	24. 7	24. 3	(30)bpts	10 bpts
Other household lending [3]	**16. 8**	16. 9	17. 4	(10)bpts	(60)bpts
Household deposits	**29. 2**	29. 3	29. 4	(10)bpts	(20)bpts
Business lending - RBA	**16. 9**	17. 0	17. 0	(10)bpts	(10)bpts
Business lending - APRA	**18. 7**	18. 7	18. 8	-	(10)bpts
Business deposits - APRA	**20. 2**	20. 3	20. 3	(10)bpts	(10)bpts
Asset Finance	**12. 8**	13. 1	13. 2	(30)bpts	(40)bpts
Equities trading	**4. 7**	5. 6	6. 0	(90)bpts	(130)bpts
Australian Retail - administrator view [4]	**15. 7**	15. 6	15. 8	10 bpts	(10)bpts
FirstChoice Platform [4]	**11. 1**	11. 0	11. 1	10 bpts	-
Australia life insurance (total risk) [4]	**11. 4**	11. 6	12. 1	(20)bpts	(70)bpts
Australia life insurance (individual risk) [4]	**10. 9**	11. 0	11. 6	(10)bpts	(70)bpts
NZ lending for housing	**21. 8**	21. 8	21. 7	-	10 bpts
NZ retail deposits	**21. 0**	20. 9	21. 4	10 bpts	(40)bpts
NZ lending to business	**12. 4**	11. 9	11. 6	50 bpts	80 bpts
NZ retail FUA [4]	**15. 6**	15. 7	16. 2	(10)bpts	(60)bpts
NZ annual inforce premiums [4]	**28. 5**	28. 7	28. 8	(20)bpts	(30)bpts

(1) Prior periods have been restated in line with market updates and comparatives have not been restated to include the impact of new market entrants in the current period.
(2) As at 31 May 2016.
(3) Other household lending market share includes personal loans, margin loans and other forms of lending to individuals.
(4) As at 31 March 2016.

Our Senior Unsecured Debt Credit Ratings	Long-term	Short-term	Outlook
Fitch Ratings	AA-	F1+	Stable
Moody's Investor Services [1]	Aa2	P-1	Negative
Standard & Poor's [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 and capital resources. These should not be regarded as a complete and comprehensive statement of all 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. The factors below should be considered in connection with the "Special Note Regarding Forward-Looking Statements" on page 5 of this Document. Notes 32 – 34 of the 2016 Financial Report provide details on how the Group manages its credit, market and liquidity and funding risks.

The Group's businesses may be adversely affected by economic conditions, disruptions in the global financial markets and associated impacts.

As a diversified financial institution that operates in various financial markets, the Group has been adversely impacted, both directly and indirectly, by difficult market conditions and may experience similar or other adverse impacts in the future. The Group's businesses operate in, or depend on the operation of, these markets, including through exposures in securities, loans, derivatives and other activities. In addition, turmoil in the financial markets can flow into the wider economy and feed back into the financial system. Uncertainty and volatility in such markets may be driven by economic conditions, as well as geopolitical instability and other factors. Geopolitical instability, including potential for, threats of or actual conflict occurring around the world, including the ongoing unrest, conflicts and related refugee flows, as well as the threat of terrorist activities may adversely affect global financial markets, general economic and business conditions, which in turn may adversely affect the Group's business, operations and financial condition.

By the nature of its operations, the Group faces the risk of financial contagion and its results of operations could be adversely impacted if economic conditions offshore deteriorate to the extent that sovereign or non-sovereign entities default on their debt obligations, the Euro destabilises, the low level of oil prices continues, one or more European countries re-introduce country-specific currencies, the elevated level of political uncertainty and increasing attractiveness to European voters of populist parties leads to a partial unwinding of European integration or global financial markets generally cease to operate efficiently.

On June 23 the United Kingdom voted to leave the European Union in a referendum. Over the next two to three years, the Group expects there will be increased uncertainty and volatility in the global financial markets while the details of this departure (known as the 'Brexit') is negotiated. There is also potential for further consequences of the Brexit to impact the markets as details of the terms of this departure emerge.

Changes in monetary policies may also adversely affect the Group's business, operations and financial condition. Central monetary authorities (including the RBA, the RBNZ, the United States Federal Reserve and the monetary authorities in the Asian and European jurisdictions in which the Group carries out business) set official interest rates or take other measures to affect the demand for money and credit in their relevant jurisdictions. In some jurisdictions, currency policy is also used to influence general business conditions and the demand for money and credit. As the US Federal Reserve embarks on monetary policy tightening, the increasing divergence of policies between major advanced economies risks triggering further financial market volatility. The sharp change in value of the US dollar during 2015 reflected this and has played a major role in driving asset price volatility and capital reallocation as markets adjusted. Changes to interest rate expectations risk igniting further volatility and US dollar appreciation, particularly if the US Federal Reserve were to increase rates faster than markets currently expect. Emerging markets have already seen growth slow following increased capital outflows, but a deeper slowdown in growth could emerge if tighter US interest rate policy drives further reallocation of capital. Moreover, sentiment towards emerging markets as a whole continues to be driven in large part by developments in China, where there is significant concern around the ability of authorities to manage the growth transition towards services. A stronger than expected slowdown in China could result if authorities fail to appropriately manage the end of the investment and credit-led boom, while the consequences from a faster slowdown would flow through both financial and trade channels into other economies, and affect commodity markets. The monetary policies of central monetary authorities can significantly affect the Group's cost of funds for lending and investing and the return that the Group will earn 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 also affect the Group's borrowers, potentially increasing the risk that they may fail to repay loans. Changes in such policies are difficult to predict.

A downturn in the Australian and New Zealand economies could adversely impact the Group's results.

As a financial group whose core businesses are banking, funds management and insurance primarily located in Australia and New Zealand, the performance of the Group is dependent on the state of the Australian and New Zealand economies, as well as customer and investor confidence and prevailing market conditions. 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, which are outside of its control.

Concerns about sovereign debt, banking and financial system fragility, and weaknesses in some of Australia's trading partners persist. China is Australia's major trading partner and a significant driver of commodity demand and prices. Weak commodity prices have weighed on Australian incomes, including profits, wages and government revenue. This income weakness has impacted negatively on economic growth, labour employment and capital expenditure. Anything that adversely affects China's economic growth could adversely affect Australian economic activity and incomes.

The strength of the domestic economy is influenced by the strength of the Australian dollar. Significant movements in the Australian dollar may impact adversely on parts of the domestic economy and, in turn, the Group's results of operations. While some sectors of the Australian economy (and therefore some of the Group's customers) could be adversely affected by a declining Australian dollar, there are other sectors that benefit (e.g. exporters). Similarly a rising dollar impacts individual sectors in different ways. Financial markets are by their nature characterised by volatility and this volatility has offsetting forces. Trading income can benefit or be harmed by market volatility, depending on the composition of the Group's trading portfolio. Volatility can adversely impact the Group's liquidity position. These impacts may be exacerbated if market conditions worsen, the Group underperforms or experiences a ratings downgrade.

A material downturn in the Australian and/or New Zealand economies could adversely impact future results and could potentially result in further increases in the amount overdue on individual loans. Recessive economic cycles also have a negative influence on, amongst other things, liquidity levels, credit defaults of corporations and other borrowers and return on assets. The Group's banking business is affected by market conditions in that there may be less demand for loan, deposit or other products, or certain customers may face difficulty in meeting their obligations.

Residential, commercial and rural property lending, together with property finance, including real estate development and investment property finance, constitute important businesses to the Group. In recent times, interest rates continued at historically low levels in Australia and housing credit growth remained strong, contributing to sustained growth in housing prices. A significant or sustained decrease in the Australian and New Zealand housing markets or property valuations could 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, which could adversely affect the Group's business, operations and financial condition. Furthermore, weaknesses in global securities or other financial markets due to credit, liquidity or other problems could result in a decline in the Group's revenues from its funds management and insurance business.

Liquidity and funding risks could adversely impact the Group's results.

The Group is subject to liquidity and funding risks, which could adversely impact its future results. Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Liquidity risk is inherent in all banking operations due to the timing mismatch between cash inflows and cash outflows.

Reduced liquidity could lead to an increase in the cost of the Group's borrowings and constrain the volume of new lending, which could adversely affect the Group's profitability. A deterioration in investor confidence in the Group could adversely impact the Group's cost of borrowing, and the Group's ongoing operations and funding.

Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds. The Group raises funding from a variety of sources, including customer deposits and wholesale funding in Australia and offshore markets to meet its funding obligations and to maintain or grow its business generally. In times of liquidity stress, if there is damage to market confidence in the Group or if funding inside or outside of Australia is not available or constrained, the Group's ability to access sources of funding and liquidity may be constrained and it will be exposed to liquidity risk. In any such cases, the Group may be forced to seek alternative 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 market conditions and the Group's credit rating (which is strongly influenced by Australia's sovereign credit rating). Even if available, the cost of these alternatives may be more expensive or on unfavorable terms, which may adversely impact the Group's cost of borrowing, and the Group's ongoing operations and funding.

Further information on liquidity and funding risk is outlined in the following sections and Note 34 to the 2016 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.

In recent years, the global debt and equity markets have experienced significant volatility due to factors such as concern over European sovereign debt levels and the downgrade in the ratings of sovereigns and banks by the securities ratings agencies. Since the beginning of the global financial crisis in 2008, developments in the United States and European markets have adversely affected the liquidity in global capital markets and increased funding costs compared with the period immediately preceding the global financial crisis. More recently, the provision of significant amounts of liquidity by major central banks globally has helped mitigate near term liquidity concerns, although no assurance can be given that such liquidity concerns will not return, particularly when the extraordinary liquidity is withdrawn by central banks. While the majority of the Group's funding comes from deposits, it remains reliant on offshore wholesale funding markets to source a significant amount of its funding. Global market volatility may result in increased competition for deposits in Australia, which could adversely impact the cost of this funding and increase the cost of accessing wholesale funding markets.

If the Group is unable to pass increased funding costs on to its customers, its net interest margins will contract, which will adversely impact the Group's results of operations and the ability of the Group to maintain or grow its current business operations. Disruptions, uncertainty or volatility in financial markets may limit the Group's access to funding, particularly its ability to issue securities, and, of those, notably longer-dated debt securities, in international markets at a cost that is acceptable to the Group. These market conditions may limit the Group's ability to replace, in a timely manner, maturing liabilities and access the funding necessary to grow the Group's businesses. As such, the Group may decide to issue securities with shorter tenors than it prefers, or pay less attractive interest rates, thereby increasing its interest expense, decreasing its profitability and significantly reducing its financial flexibility. If the Group is unable to source appropriate funding, it may also be forced to reduce its lending or begin to sell liquid securities. Such activities may adversely affect the Group's business and prospects.

Adverse financial market conditions or specific Group circumstances may significantly affect the Group's ability to access domestic and international capital markets.

Disruptions, uncertainty or volatility in financial markets may limit the Group's ability to access capital markets in a timely manner or at a cost that is acceptable to the Group. There may be circumstances where Group specific conditions (for example reduced profitability), as opposed to general market conditions (for example a global recession), could also limit the Group's access to capital markets. A limitation on access to capital markets may adversely affect the Group's ability to grow or its capital strength.

The Group operates an Internal Capital Adequacy Assessment Process ("ICAAP") to manage its capital levels and to maintain them above Board approved minimum levels (which in turn are set to exceed regulatory minimal standards). The ICAAP includes forecasting and stress testing of capital levels which guides the Group in selecting any capital management initiatives it may undertake. However, should the ICAAP forecasts or stress tests prove to be ineffective, the Group's business may be adversely impacted.

Adverse financial market conditions or specific Group circumstances may significantly affect the Group's ability to maintain adequate levels of liquidity.

The Group's liquidity and funding policies are designed to address liquidity and funding risks by ensuring it will meet its obligations as and when they fall due, by seeking to ensure it is able to borrow on an unsecured basis, has sufficient assets to borrow against on a secured basis, or has sufficient high quality liquid assets to sell to raise immediate funds without adversely affecting the Group's net asset value. The Group actively monitors and manages its liquidity and funding profile, however if it is unable to maintain adequate levels of liquid assets (for example should financial markets close for an extended period of time), it could have adverse effects on the Group's operations and financial condition.

The Group is subject to increased capital adequacy and liquidity requirements and failure to meet these would adversely affect its financial condition.

The Group must satisfy various and substantial capital and liquidity requirements, subject to qualitative and quantitative review and assessment by our regulators. Regulatory capital and liquidity requirements limit how the Group uses its capital, and can restrict its ability to pay dividends or to make stock repurchases.

Over the last several years, the Australian government has announced a set of measures to promote a competitive and sustainable banking system. While the Group has adapted to these reforms and believes it has maintained its competitive position, any further regulatory of behavioural change that occurs in response to these or future reforms could have the effect of limiting or reducing the Group's revenue earned from its banking or other operations.

In stages which began on 1 January 2013, APRA has introduced regulations designed to enhance the capital adequacy of, and liquidity and funding risk management by, Authorised Deposit-taking Institutions ("ADIs"), including CBA, based on the proposals adopted by the Basel Committee on Banking Supervision ("Basel III").

APRA implemented the base capital requirements of Basel III on 1 January 2013. From 1 January 2016, APRA requires ADIs to maintain a capital conservation buffer of 2.5 percent of risk weighted assets above the Basel III minimum requirements and will also have the discretion to apply an additional countercyclical buffer of up to 2.5 percent of risk weighted assets. APRA also requires domestic systemically important Australian banks, including CBA, to hold a further buffer of 1 percent of risk weighted assets from 1 January 2016.

On 1 January 2015, APRA also implemented the Basel III Liquidity Coverage Ratio ("LCR"). The LCR requires ADIs to hold a stock of high quality liquid assets to meet expected cash outflows for a 30-day period under a severe stress scenario. APRA is in the consultation phase of implementing the Net Stable Funding Ratio ("NSFR") for ADIs, which when implemented will impact the funding requirements of the Group. It is proposed that the NSFR will take effect from 1 January 2018.

These regulations are subject to further amendment and revision as the Basel Committee on Banking Supervision continues to consult on the impacts of Basel III and looks to further refine global regulatory standards.

For more information on the Group's capital adequacy and liquidity requirements, see "Group Operations and Business Settings — Liquidity and Capital Resources" on page 50.

The Group is subject to extensive regulation, which could impact its results.

The Group's banking, funds management and insurance activities are subject to extensive regulation, including those relating to capital levels, liquidity levels, solvency, risk management, provisioning, insurance policy terms and conditions, accounting and reporting requirements, taxation, remuneration, consumer protection, competition, anti-bribery and corruption, anti-money laundering and counter-terrorism financing. Anti-money laundering, counter-terrorism financing, sanctions compliance and market manipulations have been the subject of increasing regulatory change and enforcement in recent years. The increasingly complicated environment in which the Group operates has heightened these operational and compliance risks. If the Group fails to comply with the requirements of such regulations, it may become subject to significant regulatory fines, regulatory sanctions and suffer material financial loss or loss of reputation. The increasing volume, complexity and global reach of such regulatory requirements, and the increased propensity for sanctions and the level of financial penalties for breaches of requirements could exacerbate the severity of this risk.

In the United States, the Group is a foreign banking organisation and therefore is subject to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank") which, subject to certain exceptions, transition periods and exemptions, generally restricts the ability of banking entities to engage in proprietary trading, to sponsor or invest in covered funds or to conduct certain transactions with sponsored or advised covered funds. The Group has not been materially impacted as it does not engage in material amounts of proprietary trading and does not have material sponsorships or investments in covered funds.

Since the beginning of the Global Financial Crisis in 2008 global regulatory reform continues to be introduced by the G20 nations. The Group is impacted directly and indirectly by the evolving global regulation of over-the-counter derivatives and market conduct. Specifically, in the over-the-counter derivatives markets, governments of the G20 nations continue to finalise the capital regimes, national regulatory frameworks and infrastructures in which the Group and other market participants operate. The Group is registered as a swap dealer in the United States to enable the continuation of its swaps business with United States persons. Regulations issued by the United States Commodity Futures Trading Commission ("CFTC") impose substantial requirements on registered swap dealers. Although the CFTC regulations, and those of other jurisdictions where the Group operates, present an on-going compliance burden, their impact on the Group's business to date has been minimal.

The Group's business and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the Australian and New Zealand governments and the governments and regulators of the other jurisdictions in which the Group conducts business. Any changes to the regulatory requirements to which the Group is subject could have an adverse impact on the Group's results of operations.

Regulatory actions taken now or in the future may significantly affect the Group's operations and financial condition.

Regulation is becoming increasingly extensive and complex. Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. Notwithstanding regulators' efforts to coordinate their approach, many measures adopted or proposed differ significantly across the major jurisdictions, making it increasingly difficult to manage a global financial institution.

The Group and its businesses are subject to extensive regulation by Australian regulators and regulators in other jurisdictions in which the Group conducts business. The events in the financial services industry and, more generally, in the international financial markets and the global economy over the recent past, have resulted in various proposals to change the regulation of the financial services industry.

The Australian Government recently completed the Financial System Inquiry (the "Inquiry"), a review of the Australian financial system. The Inquiry released a final report containing recommendations for policy changes in December 2014 (the "Inquiry Report"). In July 2015, APRA responded to a recommendation in the Inquiry Report and mandated that ADIs that use internal ratings based methodologies to determine their regulatory capital requirements are required to hold higher levels of capital against their mortgage portfolios. In October 2015, the Australian Government announced that 33 out of 34 of the recommendations from the Inquiry Report should be implemented. The financial services industry is currently awaiting details as to how and whether these recommendations will be implemented.

Following the narrow re-election of the Coalition Government at the July 2016 Federal Election there remains political uncertainty in Australia. This is likely to influence whether any of the recommendations from the Inquiry are passed into law, as well as the direction of any potential further inquiry into the banking sector.

In addition, there has been increasing scrutiny by the Australian Federal Government on the areas of financial planning and advice. In September 2014, the Australian Senate referred an inquiry into the Scrutiny of Financial Advice to the Senate Economics References Committee, which is investigating allegations of misconduct related to the provision of financial advice and other related matters. The committee is expected to report back to the Senate in August 2016. While this is not anticipated to lead to direct penalties or sanctions levied at the Group, it may recommend more restrictive rules and regulations in the areas of financial planning and advice, which could lead to greater compliance cost for the Group in providing these products and services. This in turn could adversely affect the Group's business and operations.

While there can be no assurance that any or all of these regulatory changes will ultimately be adopted, or the form that any such regulations may ultimately take, any such changes, if enacted or adopted, may impact the profitability or size of the Group's business activities, require changes to certain business practices, and expose the Group to additional costs. Such additional costs may result from, among other things, holding additional capital and significant levels of liquid assets and undertaking changes to the Group's wholesale funding profile. These changes may also require the Group to invest significant management attention and resources to make any necessary changes, and could therefore also adversely affect the Group's business and operations.

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

A credit rating is an opinion on the general creditworthiness of an obligor. The Group's credit ratings affect the cost and availability of its funding from debt markets and other funding sources. Credit ratings may also impact the cost and availability of capital. Credit ratings may be an important source of information used by current and potential customers, counterparties, intermediaries and lenders when evaluating the Group's products and creditworthiness. Investors may also consider the credit rating prior to investing in the Group. Therefore, maintaining the Group's current high quality credit ratings is important.

The rating agencies determine the Group's credit rating after an initial assessment of a number of stand-alone factors including the Group's financial strength and outlook and its key operating environments (such as the Australian and New Zealand financial systems). The Group's stand-alone assessment is then coupled with an assessed level of government support and hence is also influenced by the credit rating of the Commonwealth of Australia. The manifestation of one or more of the risk factors highlighted in this section could affect the Group's financial position and outlook, and could contribute to a change in the Group's credit ratings. A downgrade in a credit rating could be due to a change in the rating agencies' assessment and rating methodology or from an adverse change in the Group's financial position and outlook. A downgrade could also be due to a change in the outlook of the sovereign and its ability to provide support in times of stress.

A downgrade to the Group's credit ratings, or the ratings of the Commonwealth of Australia, could adversely affect the Group's cost of funds and related margins, liquidity position, collateral requirements and cost of capital. A downgrade to the Group's credit ratings could also negatively affect its competitive position. The extent and nature of these effects would depend on various factors, including the extent of any ratings change and the Group's credit rating relative to its peers.

Recently Standard & Poor's and Moody's Investor Services revised their outlook from "stable" to "negative" for the

Group's long-term and short-term senior unsecured debt credit ratings. Any future down grade to the Group's credit ratings could lead to an increase in the cost of the Group's borrowings or constrain the volume of new lending, which could adversely affect the Group's results.

Failure to hedge effectively against adverse fluctuations in exchange rates could negatively impact the Group's results of operations.

The Group undertakes a substantial portion of its wholesale funding in international capital markets in currencies other than the Australian dollar, principally the U.S. dollar and the Euro. This exposes the Group to risks associated with exchange rates for the Australian dollar which is the currency in which it prepares its financial statements and the principal currency of the Group's revenue and operating cash flows. The impact of such exchange rate risk cannot be predicted reliably. The Group manages its exchange rate risk with a view to minimising any adverse effect on its financial position and performance. However, the level of the Group's hedging may change over time, and the Group may change its hedging policy at any time. The Group's results of operations may be adversely affected if its hedges are not effective to mitigate exchange rate risks or for Balance Sheet purposes, if the Group is inappropriately hedged or if a hedge provider defaults on its obligations under the Group's hedging agreements. There can be no assurance that the Group's exchange rate hedging arrangements or hedging policy will be sufficient or effective.

The Group may incur losses associated with its counterparty exposures.

As with any financial services organisation, the Group assumes counterparty risk in connection with its lending, trading, derivatives, insurance and other businesses where it relies on the ability of its counterparties to satisfy its financial obligations to the Group on a timely basis. The Group faces the possibility that a counterparty may be unable to honour its contractual obligations. Such parties may default on their obligations to the Group due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have obligations to make payments to the Group, executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. This risk also arises from the Group's exposure to lenders mortgage insurance providers and re-insurance providers (for the Group's insurance businesses). The Group is also subject to the risk that its rights against counterparties may not be enforceable in certain circumstances.

The risk of credit-related losses may also be increased by a number of factors, including deterioration in the financial condition of the economy, a sustained high level of unemployment, a deterioration of the financial condition of the Group's counterparties and a reduction in the value of assets the Group holds as collateral. In addition, in assessing whether to extend credit or enter into other transactions with counterparties, the Group relies on information provided by, or on behalf of, the counterparties, 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 significant adverse effect on the Group's business, operations and financial condition.

The Group faces operational risks associated with being a complex financial institution and may incur losses as a result of ineffective risk management processes and strategies.

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 is exposed to the risk of loss resulting from human error, the failure of internal or external processes and systems or from external events including the failure of third party suppliers and vendors to provide the contracted services. Such operational risks may include theft and fraud, improper business practices, client suitability and servicing risks, product complexity and pricing risk or improper recording, evaluating or accounting for transactions, breach of security and physical protection systems, or breaches of the Group's internally or externally imposed policies and regulations. The Group's use of third party suppliers and third party partnerships increases the potential for reputational damage or an adverse impact of its future results due to the demise of, or a severe event at, a third party that provides critical services. There is also a risk that if the Group does not have the right level of appropriately skilled staff, if the Group's systems do not operate effectively or if appropriate and effective governance arrangements are not in place, the Group could make inappropriate decisions, which in turn could adversely impact its operations.

As the Group increases its analytical capabilities and the use of models in its decision making, the reliability of the Group's data and models is becoming even more crucial. There is a risk that the Group makes inappropriate decisions due to poor data quality or models that are not fit for purpose, resulting in actual risk exposures being greater than expected by Management, leading to unexpected losses and depletion of capital levels. While the Group employs a range of risk monitoring and risk mitigation techniques as part of the implementation of its Operational Risk Management Framework, there can be no assurance that the risk management processes and strategies that the Group has developed in response to current market conditions will adequately anticipate additional market stress or unforeseen circumstances. Therefore, the Group may, in the course of its activities, incur losses or reputational harm as a result of operational disruptions.

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

The Group operates in a range of regulated markets both in Australia and globally and is highly dependent on the conduct of its employees, contractors and external service providers. The Group could, for example, be adversely affected if an employee, contractor or external service provider does not act in accordance with regulations and associated procedures, or engages in inappropriate or fraudulent conduct. Losses, financial penalties or variations to the operating licenses may be incurred from an unintentional or negligent failure to meet a professional obligation to specific clients, including fiduciary and suitability requirements, or from the nature or design of a product. These may include client, product and business practice risks such as product defects and unsuitability, market manipulation, insider trading, misleading or deceptive conduct in advertising and inadequate or defective financial advice. While the Group has policies and processes to minimise the risk of human error and employee, contractor or external service provider misconduct, these policies and processes may not always be effective.

The Group is exposed to risks pertaining to the provision of advice, recommendations or guidance about financial products and services in the course of its sales and marketing activities that may adversely affect the Group's business and operations.

A material portion of the Group's revenues comes from the provision of advice, recommendations or guidance about financial products and services in the course of its sales and marketing activities. As such, the Group is subject to risks, including the provision of unsuitable or inappropriate advice (e.g., that is not commensurate with a customer's objectives and appetite for risk), misrepresentation or inaccurate disclosure about a product or service, failure to appropriately manage conflicts of interest within sales and/or promotion processes (including incentives and remuneration for staff engaged in promotion, sales and/or the provision of advice) and failure to deliver product features and benefits in accordance with their terms, disclosures, recommendations.

Exposure to such risks may increase during periods of declining investment asset values (such as during periods of economic downturn or investment market volatility), leading to sub-optimal performance of investment products and/or portfolios that are not aligned with the customer's objectives and risk appetite. The Group is subject to various rules and regulations in the countries in which it operates that provide for consumer protection around advisory, marketing and sales practices. These may include, but are not limited to, appropriate management of conflicts of interest, appropriate accreditation standards for staff authorised to provide advice about financial products and services, disclosure standards, standards for ensuring adequate assessment of client/ product suitability, quality assurance activities, adequate record keeping, and procedures for the management of complaints and disputes. Inappropriate advice about financial products and services may result in material litigation (and associated financial and reputational costs), regulatory actions, and/or reputational consequences.

Certain remediation programs are being undertaken in the Group's advice business. This includes the Open Advice Review program, reviews of certain customer files arising from variations to licences held by two CBA subsidiaries, and a review of service delivery against past adviser service package offerings. The Group has provided for the cost of running these programs, together with anticipated remediation costs. These have been developed considering historical evidence, current information available and the exercise of judgement. As the nature of these estimates and assumptions are uncertain, the provisions may change. The Group considers that provisions held represent our best estimate of the anticipated future costs. The Group will re-evaluate the assumptions underpinning the provisions at each reporting date as more information becomes available.

The Group faces technology risks associated with being a complex financial institution and may incur losses as a result of ineffective risk management processes and strategies.

The Group's businesses are highly dependent on the Group's ability to process and monitor, in many cases on a daily basis, a very large number of transactions, many of which are highly complex, across multiple markets in many currencies. The Group's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or may become disabled as a result of events that are wholly or partially beyond its control, such as a spike in transaction volume, adversely affecting its ability to process these transactions or provide these services.

As with any business operating in the financial services market, the Group utilises complex technology frameworks and systems to deliver its services and manage internal processes. Some of these technology systems are provided and/or supported by third party suppliers and vendors. Additionally, the Group's strategy seeks to establish long-term global competitive advantage through leadership in the application of technology.

Disruptions to the technology framework can have a significant impact on the Group's operations. These disruptions can be caused from internal events (e.g. system upgrades) and external events (e.g. failure of vendors' systems or power supplies or technology attacks by third parties).

As part of its technology risk management framework, the Group employs a range of risk techniques however there can be no assurance that the risk management processes and strategies that the Group has developed in response to current market conditions will adequately anticipate additional market stress or unforeseen circumstances. Therefore the Group may, in the course of the Group's activities, incur losses or reputational harm as a result of technology disruptions.

The Group faces information security risks, including cyber-attacks that could have an adverse effect on the Group's business and operations.

The Group's businesses are highly dependent on its information technology systems. Technology and information security risks are covered by the Group's Operational Risk Management Framework and the Group devotes significant effort to protecting the confidentiality, integrity and availability of its computer systems, software and networks, including maintaining the confidentiality of information that may reside on those assets. These efforts include an inflight multi-year program designed to enhance existing Cyber Security governance, intelligence and capabilities. However, the Group's security measures cannot provide absolute security. Exposure to information security risks occurs when information is acquired or created, processed, used, shared, accessed, retained or disposed.

Information security risks for large financial institutions have increased in recent years, in part because of the proliferation of new technologies, the use of Internet and telecommunications technology and the increased sophistication and activities of organised criminals, hackers, terrorists and other external parties. In addition, to access the Group's products and services, customers may use personal smartphones, personal computers, personal tablet computers and other computing/mobile devices that are beyond the

Group's control systems. Although the Group takes protective measures and endeavours to modify them 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.

It is possible that the Group (or its third party suppliers) may not be able to anticipate or to implement effective measures to prevent or minimise damage that may be caused by all information security threats, because the techniques used can be highly sophisticated, can evolve rapidly and those that would perpetrate attacks can be well resourced. Information security threats may also occur as a result of the Group's size and role in the financial services industry, its plans to continue to implement internet banking and mobile banking channel strategies and develop additional remote connectivity solutions, the outsourcing of some of the Group's business operations and the threat of cyber terrorism. An information security failure could have serious consequences for the Group including, among other things, operational disruption, financial losses, a loss of customer or business opportunities, litigation, regulatory penalties or intervention, reputational damage, theft of intellectual property and customer data, and could result in violations of applicable privacy laws, all of which could have an adverse impact on the Group.

Reputational damage could harm the Group's business and prospects.

Various issues, or the perception of such issues, may give rise to reputational damage and cause harm to the Group's business and prospects. These issues could include inappropriately dealing with potential conflicts of interest and breaching legal and regulatory requirements (such as money laundering, trade sanctions and privacy laws), inadequate sales and trading practices, inappropriate management of conflicts of interest and other ethical issues, technology failures, and non-compliance with internal policies and procedures. Failure to address these issues appropriately could also give rise to additional legal risk, subjecting the Group to regulatory enforcement actions, fines and penalties, or harm the Group's reputation and integrity among the Group's customers, investors and other stakeholders.

Market risks could adversely impact the Group's results.

Market risk is the potential of loss arising from adverse changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads, lease residual risk values, and implied volatility levels for all assets and liabilities where options are transacted. For the purposes of market risk management, the Group makes a distinction between traded and non-traded market risks. Traded market risks principally arise from the Group trading and distributing financial markets products and providing risk management services to customers on a global basis. The predominant non-traded market risk is interest rate risk in the banking book. Other non-traded markets risks are transactional and structural foreign exchange risk arising from capital investments in offshore operations, non-traded equity risk, market risk arising from the insurance business and lease residual value risk. For a description of these specific risks, see Note 33 to the 2016 Financial Report.

Insurance risk could adversely impact the Group's results.

Insurance risk is the risk of loss due to increases in policy benefits arising from variations in the incidence or severity of insured events. Insurance risk exposure arises in the insurance business as the risk that claims payments are greater than expected. In the life insurance business this exposure arises primarily through mortality (death) and morbidity (illness and injury) related claims being greater than expected whereas for the general insurance business variability arises mainly through weather related incidents (such as floods or bushfires) and similar calamities, as well as general variability in home, motor and travel insurance claim amounts. The Group's exposure to insurance risk is small relative to the size of its other operations (banking and funds management).

Strategic business risk could adversely impact the Group's results

The Group is subject to strategic business risk which is defined as the risk of economic loss resulting from changes in the business environment caused by macroeconomic conditions, competitive forces, technology, regulation and/or social trends. While the Board receives reports on and monitors business plans, major projects and the implementation of other significant initiatives, there can be no assurance that such initiatives will always be successful or that they will not result in financial loss or loss of reputation for the Group as business strategies and objectives are defined.

In recent times, there have been increasing instances of investor activism in Australia where shareholder or special interest groups target the Group in relation to particular social or environmental issues and influence how the Group operates or implements its strategy. Areas which have attracted investor activism in Australia, including among institutional shareholders, include making socially responsible investment and avoiding financing or interacting with businesses that do not demonstrate responsible management or environmental and social issues. The prevalence of investor activism could adversely impact management's decision-making and the success of the implementation of its initiatives, which in turn could adversely affect the Group's results of operations.

The Group faces intense competition, which could adversely impact its results.

The Group faces intense competition in all of its principal areas of operation and geographical markets, principally Australia and New Zealand. Competition in the banking and funds management markets has, however, had the most significant effect on the Group's results and operations. Competition is expected to increase, especially from non-Australian financial services providers who continue to expand in Australia, and from new non-bank entrants who may be unregulated or subject to lower regulatory standards.

If the Group is unable to compete effectively in its various businesses and markets, its market share may decline. Increased competition may also adversely affect its results of operations by diverting business to competitors or creating pressure to lower margins. Further details on the competition faced by the Group are detailed in "Description of Business Environment – Competition" on page 98 of this Document.

Application of and changes to accounting policies may adversely impact the Group's results.

The accounting policies and methods that the Group applies are fundamental to how it records and reports its financial position and results of operations. In some cases, accounting standards allow more than one acceptable manner in which to account for a balance or transactions. While allowable under accounting standards, different accounting policies or methods can result in materially different outcomes. Management selects an accounting policy or method that it believes is reasonable for the Group or reasonable under the specific circumstances. The Group's accounting policies are set forth in Note 1 to the 2016 Financial Report. Management must exercise judgment in selecting and applying many of these accounting policies and methods 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. While the Group has policies and processes to ensure compliance with the Group's accounting policies and methods, these may not always be effective.

The Group's business may be adversely affected by acquisitions of businesses.

From time to time, the Group evaluates and undertakes acquisitions of businesses. With acquisitions there is a risk that we may suffer a downgrade of the Group's credit ratings, the Group may not achieve expected synergies from the acquisition as a result of difficulties in integrating information and other systems, the Group may achieve lower than expected cost savings or otherwise incur losses, the Group may lose customers and market share, the Group may face disruptions to the Group's operations resulting from integrating the systems and processes of the acquired business into the Group or the acquisition may have other negative impacts on the Group's results, financial condition or operations. Where acquisitions are outside of Australia and New Zealand, the Group may be exposed to heightened levels of political, social or economic disruption that are currently intrinsic in many such economies. These risks are considered as part of any due diligence undertaken. The Group regularly assesses acquisition opportunities and if it were to undertake other acquisitions these risks may be exacerbated.

The Group could suffer losses due to catastrophic events.

The Group and its customers operate businesses and hold assets in a diverse range of geographical locations. Any significant environmental change or external catastrophic event (including fire, storm, flood, earthquake, pandemic or other widespread health emergency, civil unrest, war or terrorism) in any of these locations has the potential to disrupt business activities, impact on 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. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence or the levels of volatility in financial markets. This risk of losses due to catastrophic events is also directly relevant to the Group's insurance business.

Substantial legal liability or regulatory action against the Group could negatively impact the Group's business.

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 conduct which adversely affects 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 profitability may be adversely affected.

Selected Consolidated Income Statement Data ("statutory basis")	2016 USD$M (1)	2016	2015 (2)	2014 (2)	2013	2012
	Full Year Ended 30 June (AUD$ millions, except where indicated)					
Interest income	**25,129**	**33,817**	34,145	33,691	34,739	38,258
Interest expense	**12,545**	**16,882**	18,322	18,550	20,805	25,136
Net interest income	**12,584**	**16,935**	15,823	15,141	13,934	13,122
Impairment expense	**933**	**1,256**	988	918	1,146	1,089
Non-interest income	**5,680**	**7,643**	7,845	7,347	6,942	6,588
Operating expenses	**7,779**	**10,468**	10,068	9,573	9,085	8,762
Net profit before income tax	**9,552**	**12,854**	12,612	11,997	10,645	9,859
Income tax expense	**2,680**	**3,607**	3,528	3,347	3,011	2,827
Net profit after income tax	**6,872**	**9,247**	9,084	8,650	7,634	7,032
Non-controlling interests	**(15)**	**(20)**	(21)	(19)	(16)	(16)
Net profit attributable to Equity holders of the Bank	**6,857**	**9,227**	9,063	8,631	7,618	7,016
Dividend declared (3)	**5,342**	**7,189**	6,823	6,484	3,224	3,137
Weighted average number of shares (basic) (M)		**1,692**	1,627	1,618	1,598	1,570
Earnings per share, basic (cents)	**403. 1**	**542. 5**	553. 7	530. 6	474. 2	444. 2
Earnings per share, fully diluted (cents)	**393. 5**	**529. 5**	539. 6	518. 9	461. 0	428. 5
Dividends per share (cents)	**312**	**420**	420	401	364	334
Dividend payout ratio (%) (4)		**78. 3**	75. 7	75. 5	77. 4	76. 0

(1) USD translated from AUD using 30 June 2016 month end Noon Buying Rate, 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 Group's financial years indicated, as well as for July and August (to date) of 2016, 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 2016, the 30 June 2016 month end Noon Buying Rate has been used.

	2016	2015	2014	2013	2012
	Full Year Ended 30 June (expressed in USD$ per AUD$1.00)				
Period End	**0.7431**	0.7681	0.9405	0.9268	1.0236
Average Rate	**0.7287**	0.8289	0.9147	1.0272	1.0323

	August (1)	July	June	May	April	March
	Month Ended 2016 (expressed in USD$ per AUD$1.00)					
High	**0. 7718**	0. 7635	0. 7528	0. 7611	0. 7813	0. 7654
Low	**0. 7544**	0. 7444	0. 7238	0. 7169	0. 7530	0. 7150
Month End Noon Buying Rates	**0. 7647**	0. 7516	0. 7431	0. 7242	0. 7657	0. 7654

(1) Represents the most current August 2016 exchange rate data ended 23 August 2016.

Consolidated Balance Sheet Data	2016 USD$M [1]	2016	2015 [2]	2014	2013	2012
		Full Year Ended 30 June (AUD$ millions, except where indicated)				
Assets						
Cash and liquid assets	**17,368**	**23,372**	33,116	26,409	20,634	19,666
Receivables due from other financial institutions	**8,613**	**11,591**	13,063	8,065	7,744	10,886
Assets at fair value through income statement:						
Trading	**25,315**	**34,067**	26,424	21,459	19,617	13,816
Insurance	**10,067**	**13,547**	14,088	15,142	14,359	14,525
Other	**1,100**	**1,480**	1,278	760	907	980
Derivative assets	**34,604**	**46,567**	46,154	29,247	45,340	39,567
Available-for-sale investments	**60,115**	**80,898**	74,684	66,137	59,601	60,827
Loans, bills discounted and other receivables	**516,750**	**695,398**	639,262	597,781	556,648	525,682
Bank acceptances of customers	**1,063**	**1,431**	1,944	5,027	6,063	9,717
Property, plant and equipment	**2,928**	**3,940**	2,833	2,816	2,718	2,503
Investments in associates	**2,063**	**2,776**	2,637	1,844	2,281	1,898
Intangible assets	**7,716**	**10,384**	9,970	9,792	10,423	10,281
Deferred tax assets	**256**	**345**	455	586	916	960
Other assets	**5,412**	**7,282**	7,538	6,386	6,606	7,531
Total Assets	**693,370**	**933,078**	873,446	791,451	753,857	718,839
Liabilities						
Deposits and other public borrowings	**436,976**	**588,045**	543,231	498,352	459,429	437,655
Payables due to other financial institutions	**21,380**	**28,771**	36,416	24,978	25,922	22,126
Liabilities at fair value through income statement	**7,648**	**10,292**	8,493	7,508	8,701	6,555
Derivative liabilities	**29,665**	**39,921**	35,213	27,259	38,580	39,851
Bank acceptances	**1,063**	**1,431**	1,944	5,027	6,063	9,717
Current tax liabilities	**759**	**1,022**	661	688	1,529	1,537
Deferred tax liabilities	**253**	**340**	351	366	471	338
Other provisions	**1,231**	**1,656**	1,726	1,363	1,249	1,224
Insurance policy liabilities	**9,390**	**12,636**	12,911	13,166	13,004	12,994
Debt issues	**119,850**	**161,284**	154,429	142,219	132,808	124,712
Managed fund units on issue	**1,193**	**1,606**	1,149	1,214	891	995
Bills payable and other liabilities	**7,263**	**9,774**	11,105	10,369	9,986	9,493
Total Liabilities	**636,671**	**856,778**	807,629	732,509	698,633	667,197
Loan capital [3]	**11,551**	**15,544**	12,824	9,594	9,687	10,022
Total liabilities and loan capital	**648,222**	**872,322**	820,453	742,103	708,320	677,219
Net Assets	**45,148**	**60,756**	52,993	49,348	45,537	41,620
Total Shareholders' Equity	**45,148**	**60,756**	52,993	49,348	45,537	41,620
Other equity instruments	**-**	**-**	939	939	939	939
Total Shareholders' Equity excluding other equity instruments	**45,148**	**60,756**	52,054	48,409	44,598	40,681

(1) USD translated from AUD at 30 June 2016 (see month end Noon Buying Rate in the table on page 23 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.

Consolidated Ratios and Operating Data	2016 USD$M [2]	2016	2015 [1]	2014	2013	2012
		Full Year Ended 30 June (AUD$ millions, except where indicated)				
Profitability						
Net interest margin (%) [3]		**2. 07**	2. 09	2. 14	2. 13	2. 09
Interest spread (%) [4]		**1. 92**	1. 95	2. 00	1. 91	1. 82
Return on average Shareholders' Equity (%) [5]		**16. 2**	18. 2	18. 7	18. 0	18. 5
Return on average total assets (%) [5]		**1. 0**	1. 1	1. 1	1. 0	1. 0
Productivity						
Total operating income per full-time staff equivalent	**405,166**	**545,237**	508,578	500,034	479,308	454,554
Staff expense/total operating income (%) [6]		**25. 1**	24. 9	25. 0	23. 9	24. 3
Total operating expenses/total operating income (%) [6]		**42. 4**	42. 8	42. 9	44. 9	45. 8
Capital Adequacy (at year end)						
Basel III						
Risk weighted assets	**293,277**	**394,667**	368,721	337,715	329,158	n/a
Tier One capital	**36,080**	**48,553**	41,147	37,608	33,750	n/a
Tier Two capital	**5,888**	**7,924**	5,661	2,935	3,088	n/a
Total capital [7]	**41,968**	**56,477**	46,808	40,543	36,838	n/a
Tier One capital/risk weighted assets (%)		**12. 3**	11. 2	11. 1	10. 2	n/a
Tier Two capital/risk weighted assets (%)		**2. 0**	1. 5	0. 9	1. 0	n/a
Total capital/risk weighted assets (%)		**14. 3**	12. 7	12. 0	11. 2	n/a
Average Shareholders' Equity/average total assets (%)		**6. 3**	6. 1	6. 1	6. 0	n/a
Basel II						
Risk weighted assets	**n/a**	**n/a**	n/a	n/a	n/a	302,787
Tier One capital	**n/a**	**n/a**	n/a	n/a	n/a	30,299
Tier Two capital	**n/a**	**n/a**	n/a	n/a	n/a	2,939
Total capital [7]	**n/a**	**n/a**	n/a	n/a	n/a	33,238
Tier One capital/risk weighted assets (%)	**n/a**	**n/a**	n/a	n/a	n/a	10. 0
Tier Two capital/risk weighted assets (%)	**n/a**	**n/a**	n/a	n/a	n/a	1. 0
Total capital/risk weighted assets (%)	**n/a**	**n/a**	n/a	n/a	n/a	11. 0
Average Shareholders' Equity/average total assets (%)	**n/a**	**n/a**	n/a	n/a	n/a	5. 6

(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 2016 (see month end Noon Buying Rate in the table on page 23 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.

Consolidated Ratios and Operating Data	Full Year Ended 30 June 2016 USD$M [2]	2016	2015 [1]	2014	2013	2012
		(AUD$ millions, except where indicated)				
Asset Quality Data [3]						
Non-accrual loans [4]	**1,828**	**2,460**	2,253	2,475	3,523	4,218
Gross impaired assets [5]	**2,315**	**3,116**	2,855	3,367	4,330	4,687
Individually assessed provisions for impairment	**701**	**944**	887	1,127	1,628	2,008
Collective provisions for impairment	**2,094**	**2,818**	2,762	2,779	2,858	2,837
Net impaired assets	**1,478**	**1,989**	1,829	2,101	2,571	2,556
Total provisions for impairment/average credit risk (%) [6]		**0. 3**	0. 4	0. 4	0. 5	0. 6
Loan impairment expense/average credit risk (%) [6]		**0. 1**	0. 1	0. 1	0. 1	0. 1
Gross impaired assets/credit risk (%) [7]		**0. 3**	0. 3	0. 3	0. 5	0. 5
Net impaired assets/total Shareholders' Equity (%)		**3. 3**	3. 5	4. 3	5. 6	6. 1
Collective provision for impairment/credit risk weighted assets (%) Basel III		**0. 8**	0. 9	0. 8	0. 9	n/a
Collective provision for impairment/credit risk weighted assets (%) Basel II		**n/a**	n/a	n/a	n/a	0. 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) USD translated from AUD at 30 June 2016 (see month end Noon Buying Rate for 2016 financial year in the table on page 23 of this Document).
(3) All impaired asset balances and ratios are net of interest reserved.
(4) 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.
(5) Gross impaired assets comprise non-accrual loans, restructured loans, Other real estate owned assets and Other assets acquired through security enforcement.
(6) Average credit risk is based on gross credit risk less unearned income. Averages are based on current and previous year-end balances.
(7) Gross impaired assets as a percentage of credit risk as disclosed in Note 13 to the 2016 Financial Report less unearned income as presented in Note 12 to the 2016 Financial Report.

Summary Cash Flows Data

Further details of the Group's cash flows are found in the 2016 Financial Report and Notes to the Financial Statements.

Summary Cash Flows	Full Year Ended 30 June 2016 USD$M [1]	2016	2015	2014	2013	2012
		(AUD$ millions, except where indicated)				
Net Cash (used in)/provided by operating activities	**(3,389)**	**(4,561)**	7,183	3,963	6,577	8,847
Net Cash (used in)/provided by investing activities	**(1,510)**	**(2,032)**	(1,215)	201	(1,256)	(1,281)
Net Cash (used in)/provided by financing activities [2]	**1,315**	**1,770**	(5,826)	2,346	(5,306)	(1,688)
Net (decrease)/increase in cash and cash equivalents	**(3,584)**	**(4,823)**	142	6,510	15	5,878
Cash and cash equivalents at beginning of period	**14,320**	**19,270**	19,128	12,618	12,603	6,725
Cash and cash equivalents at end of period	**10,736**	**14,447**	19,270	19,128	12,618	12,603

(1) USD translated from AUD at 30 June 2016 (see month end Noon Buying Rate for 2016 financial year in the table on page 23 of this Document).
(2) Includes the balance 'Effect of foreign exchange rates on cash and cash equivalents'.

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Contents

Section 5 - Group Performance Analysis

Financial Performance and Business Review

This Group Performance Analysis contains certain forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 5 of this Document.

Year Ended June 2016 versus Restated June 2015

The Group's Net profit after tax ("statutory basis") increased 2% on the prior year to $9,227 million. Earnings per share ("statutory basis") decreased 2% on the prior year to 542.5 cents per share and return on equity ("statutory basis") decreased 200 basis points on the prior year to 16.2%.

The key components of the Group result were:

- **Net interest income ("**statutory basis") increased 7% to $16,935 million, reflecting 8% growth in average interest earning assets, partly offset by a two basis point decrease in net interest margin. Net interest margin excluding Treasury and Markets remained flat at 2.06%;
- **Other banking income ("**statutory basis") decreased 5% to $4,576 million, reflecting a hedging loss due to the lower Australian dollar, partly offset by a strong sales performance in Markets and an increased share of profits from associates,
- **Funds management income ("**statutory basis") increased 3% to $2,061 million including a 3% benefit from the lower Australian dollar. This reflects a 4% increase in average FUA, and improved FUA margins;
- **Insurance income ("**statutory basis") decreased 1% to $1,006 million with average inforce premium growth of 4% and fewer event claims, offset by an increase in income protection claims reserves resulting in loss recognition;
- **Operating expenses ("**statutory basis") increased 4% to $10,468 million, including a 1% increase from the lower Australian dollar, higher staff costs, increased investment spend, and higher amortisation. This was partly offset by the continued realisation of incremental benefits from productivity initiatives; and
- **Loan impairment expense ("**statutory basis") increased 27% to $1,256 million, due to higher provisioning primarily in Institutional Banking and Markets, New Zealand and IFS.

As reported June 2015 versus June 2014

The Group's Net profit after tax ("statutory basis") increased 5% on the prior year to $9,063 million. Earnings per share ("statutory basis") increased 4% on the prior year to 557.0 cents per share and Return on equity ("statutory basis") decreased 50 basis points on the prior year to 18.2%.

The key components of the Group result were:

- **Net interest income ("**statutory basis") increased 5% to $15,795 million. This reflects 7% growth in average interest earning assets, partly offset by a five basis point decrease in net interest margin. Net interest margin excluding Treasury and Markets decreased one basis point to 2.03%;
- **Other banking income ("**statutory basis") increased 12% to $4,856 million, including a 1% benefit from the lower Australian dollar. This reflects volume driven growth in commissions, higher trading income driven by a strong Markets sales and trading performance, a favourable counterparty valuation adjustment of $42 million, and the impact of the impairment of the investment in Vietnam International Bank ("VIB") in the prior year. This was partly offset by lower lending fees, and the implementation of a funding valuation adjustment ("FVA") to the fair value of uncollateralised derivatives in response to growing evidence that market participants incorporate FVA in the valuation of such instruments, which resulted in an initial cost of $81 million;
- **Funds management income ("**statutory basis") decreased 2% to $2,003 million. Excluding the impact of the Property Transactions and businesses from comparative results, Funds management income increased 8%, driven by a 14% increase in average FUA from positive net flows, a strong investment performance and a 3% benefit from the lower Australian dollar. The increase was partly offset by provisioning for customer remediation as part of the Open Advice Review program;
- **Insurance income ("**statutory basis") decreased 2% to $1,014 million, due to deterioration in claims experience, partly offset by average inforce premium growth of 6% as a result of improved pricing and lapse rates. This increase includes a 1% benefit from the lower Australian dollar;
- **Operating expenses ("**statutory basis") increased 5% to $10,068 million, including a 1% impact from the lower Australian dollar. This reflects higher staff costs from inflation-related salary increases, and the cost of regulatory, compliance and remediation programs. This was partly offset by the continued realisation of operational efficiencies from productivity initiatives; and
- **Loan impairment expense ("**statutory basis") increased 8% to $988 million, primarily due to higher arrears in the unsecured portfolio in Retail Banking Services, and an increase in a small number of large individual provisions and lending volume growth in Institutional Banking and Markets.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 55-84 of this Document.

Group Performance Analysis

Net Interest Income

	Full Year Ended					
		Restated		As reported		
	30 Jun 16 $M	30 Jun 15 $M	Jun 16 vs Jun 15 %	30 Jun 15 $M	30 Jun 14 $M	Jun 15 vs Jun 14 %
Net interest income ("cash basis")	**16,935**	15,827	7	15,799	15,091	5
Hedging and IFRS volatility	**-**	(4)	large	(4)	16	large
Bankwest non-cash items	**-**	-	-	-	(6)	large
Net interest income ("statutory basis") (1)	**16,935**	15,823	7	15,795	15,101	5
Average interest earning assets						
Home loans	**436,530**	410,306	6	410,306	386,160	6
Personal loans	**23,722**	23,481	1	23,481	22,499	4
Business and corporate loans	**211,356**	190,537	11	190,537	177,249	7
Total average lending interest earning assets	**671,608**	624,324	8	624,324	585,908	7
Non-lending interest earning assets	**145,849**	131,548	11	130,548	119,463	9
Total average interest earning assets	**817,457**	755,872	8	754,872	705,371	7
Net interest margin ("statutory basis") (%)	**2. 07**	2. 09	(2)bpts	2. 09	2. 14	(5)bpts
Net interest margin excluding Treasury and Markets (%)	**2. 06**	2. 06	-	2. 03	2. 04	(1)bpt

(1) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

Year Ended June 2016 versus Restated June 2015

Net interest income ("statutory basis") increased 7% on the prior year to $16,935 million. The result was driven by growth in average interest earning assets of 8%, partly offset by a 2 basis point decrease in net interest margin.

Average Interest Earning Assets

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

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

Net Interest Margin

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

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

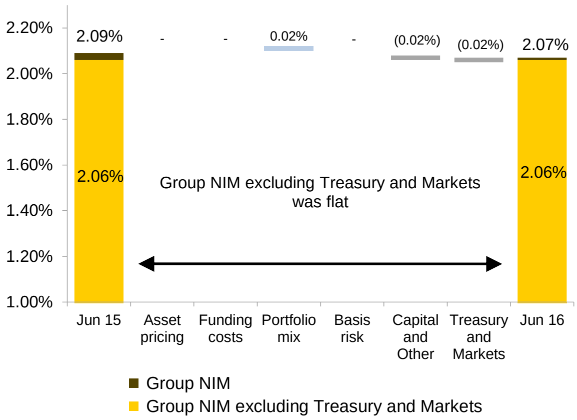
Funding costs: Flat with the benefit from lower wholesale funding costs of one basis point offset by a one basis point increase in deposit costs, mainly due to the lower cash rate.

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

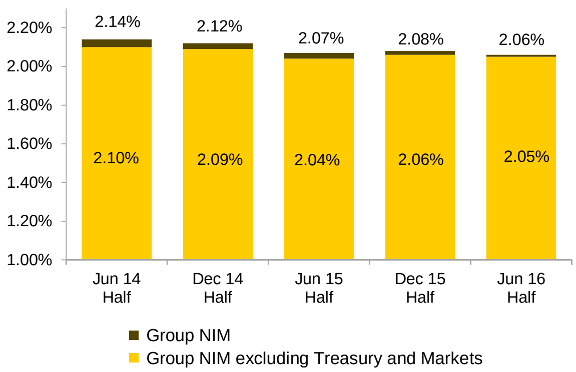
Capital and Other: Decreased margin of two basis points. The positive impact from higher capital was offset by the impact of the falling cash rate environment on free equity funding.

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

NIM movement since June 2015 (1)



Group NIM (Half Year Ended) (1)



(1) Comparative information has been reclassified to conform to presentation in the current period. 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 June 2015 versus June 2014

Net interest income ("statutory basis") increased 5% on the prior year to $15,795 million. The result was driven by growth in average interest earning assets of 7%, partly offset by a five basis point decrease in net interest margin.

Average Interest Earning Assets

Average interest earning assets increased $50 billion on the prior year to $755 billion, reflecting:

- Home loan average balances increased $24 billion or 6% on the prior year to $410 billion. The growth in home loan balances was largely driven by domestic banking growth.
- Average balances for business and corporate lending increased $13 billion on the prior year to $191 billion driven by growth in institutional and business banking lending balances.
- Average non-lending interest earning assets increased $12 billion on the prior year due to higher cash and liquid assets and trading assets.

Net Interest Margin

The Group's net interest margin decreased five basis points on the prior year to 2.09%. The key drivers of the movement were:

Asset pricing: Decreased margin of eight basis points reflecting competitive pricing.

Funding costs: Increased margin of six basis points reflecting lower wholesale funding costs of five basis points and a one basis point decrease in deposit costs.

Basis risk: Basis risk arises from funding assets which are priced relative to the cash rate with liabilities priced relative to the bank bill swap rate. The margin decreased one basis point as a result of an increase in the spread between the cash rate and the bank bill swap rate during the year.

Portfolio mix: Increased margin of four basis points from strong growth in higher margin portfolios and favourable funding mix.

Other: Decreased margin of two basis points, primarily driven by the impact of the falling cash rate environment on free equity funding.

Treasury and Markets: Decreased margin of four basis points, primarily driven by the impact of the falling cash rate environment on free equity funding and increased holdings of liquid assets.

Other Banking Income

	Full Year Ended					
		Restated		As reported		
	30 Jun 16 $M	30 Jun 15 $M	Jun 16 vs Jun 15 %	30 Jun 15 $M	30 Jun 14 $M	Jun 15 vs Jun 14 %
Commissions	**2,215**	2,209	-	2,226	2,130	5
Lending fees	**1,010**	1,005	-	1,050	1,083	(3)
Trading income	**1,087**	1,039	5	1,005	922	9
Other income	**548**	558	(2)	558	188	large
Other banking income ("cash basis")	**4,860**	4,811	1	4,839	4,323	12
Hedging and IFRS volatility	**(284)**	17	large	17	(27)	large
Gain/loss on disposal of controlled entities	**-**	-	-	-	24	large
Other banking income ("statutory basis") (1)	**4,576**	4,828	(5)	4,856	4,320	12

(1) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

Year Ended June 2016 versus Restated June 2015

Other banking income ("statutory basis") decreased 5% on the prior year to $4,576 million, driven by the following items:

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

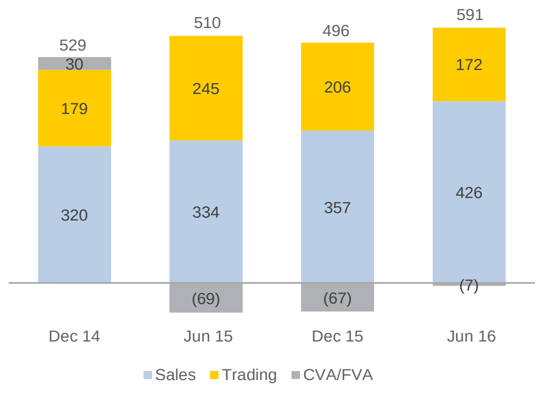
Lending fees: Flat on the prior year with volume driven increases offset by lower Institutional fees reflecting competitive pressures; and

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

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

Hedging and IFRS volatility: Decreased on the prior year with a higher unrealised loss on the hedge of New Zealand earnings.

Net Trading Income ($M)



As reported June 2015 versus June 2014

Other banking income ("statutory basis") increased 12% on the prior year to $4,856 million, driven by the following revenue items:

Commissions: Increased 5% on the prior year to $2,226 million, driven by higher card interchange income, increased home loan fee income from higher volumes, and higher equities trading volumes;

Lending fees: Decreased 3% on the prior year to $1,050 million due to lower line fees, reflecting competitive pressures;

Trading income: Increased 9% on the prior year to $1,005 million. This was primarily driven by a strong Markets sales and trading performance, and favourable counterparty valuation adjustments of $42 million, partly offset by the initial cost of implementing a funding valuation adjustment to the fair value of derivatives of $81 million; and

Other income: Increased on the prior year to $558 million, due to a reduced loss on the hedge of New Zealand earnings, higher structured asset finance income, gain on sale of investments, as well as the impairment of the investment in VIB in the prior year.

Funds Management Income

	Full Year Ended				
	30 Jun 16 $M	30 Jun 15 $M	Jun 16 vs Jun 15 %	30 Jun 14 [1] $M	Jun 15 vs Jun 14 %
Colonial First State (CFS) [2]	**929**	866	7	828	5
CFS Global Asset Management (CFSGAM) [2]	**842**	847	(1)	739	15
CommInsure	**120**	133	(10)	132	1
New Zealand	**80**	71	13	60	18
Property [3]	**-**	-	-	137	large
Other	**45**	21	large	37	(43)
Funds management income ("cash basis")	**2,016**	1,938	4	1,933	-
Treasury shares valuation adjustment	**14**	(22)	large	(46)	(52)
Policyholder tax	**(8)**	21	large	59	(64)
Investment experience	**39**	66	(41)	88	(25)
Funds management income ("statutory basis") [4]	**2,061**	2,003	3	2,034	(2)

(1) The Property Transactions were completed during the 30 June 2014 financial year.
(2) Colonial First State incorporates the results of all financial planning businesses including Commonwealth Financial Planning.
(3) Property includes the Property Transactions.
(4) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

Year Ended June 2016 versus June 2015

Funds management income ("statutory basis") increased 3% on the prior year to $2,061 million, driven by:

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

Year Ended June 2015 versus June 2014

Funds management income ("statutory basis") decreased 2% on the prior year to $2,003 million. Excluding the contribution from the Property Transactions, Funds management income increased 8% on the prior year, driven by:

- A 14% increase in average FUA reflecting favourable equity markets and investment performance, with strong growth in the ASB Aegis fund and KiwiSaver scheme; and
- Positive net flows and the benefit of the lower Australian dollar; partly offset by
- A four basis point decline in Funds management margin as a result of lower Advice revenue, continued run-off in the legacy investment business, and provisioning for customer remediation as part of the Open Advice Review program.

Insurance Income

	Full Year Ended				
	30 Jun 16 $M	30 Jun 15 $M	Jun 16 vs Jun 15 %	30 Jun 14 $M	Jun 15 vs Jun 14 %
CommInsure	**502**	503	-	575	(13)
New Zealand	**242**	232	4	202	15
IFS	**46**	42	10	36	17
Other	**5**	15	(67)	6	large
Insurance income ("cash basis")	**795**	792	-	819	(3)
Policyholder tax	**109**	78	40	67	16
Investment experience	**102**	144	(29)	147	(2)
Insurance income ("statutory basis") (1)	**1,006**	1,014	(1)	1,033	(2)

(1) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

Year Ended June 2016 versus June 2015

Insurance income ("statutory basis") decreased 1% on the prior year to $1,006 million impacted by:

- A 4% increase in average inforce premiums to $3,401 million;
- Fewer severe weather related event claims in CommInsure General Insurance; and
- Higher Wholesale Life income from repricing; offset by
- An increase in income protection claims reserves (held to cover future liabilities to the extent they exceed future premiums) as a result of higher expected future liabilities due to worsening claims experiences, particularly lower terminations, resulting in loss recognition in CommInsure in the current year.

Year Ended June 2015 versus June 2014

Insurance income ("statutory basis") decreased 2% on the prior year to $1,014 million impacted by:

- A deterioration in claims experience from a number of severe weather events across New South Wales and Queensland during the year; partly offset by
- An increase in average inforce premiums of 6% to $3,259 million, across CommInsure and New Zealand;
- Reduced reserve strengthening in the year and improved pricing in CommInsure Wholesale Life; and

  An improvement in lapse rates in CommInsure, as well as favourable claims and lapse experience in New Zealand.

Operating Expenses

	Full Year Ended				
	30 Jun 16 $M	30 Jun 15 $M	Jun 16 vs Jun 15 %	30 Jun 14 $M	Jun 15 vs Jun 14 %
Staff expenses	**6,164**	5,816	6	5,542	5
Occupancy and equipment expenses	**1,134**	1,086	4	1,053	3
Information technology services expenses	**1,485**	1,292	15	1,337	(3)
Other expenses	**1,646**	1,799	(9)	1,567	15
Operating expenses ("cash basis")	**10,429**	9,993	4	9,499	5
Bankwest non-cash items	**39**	75	(48)	74	1
Operating expenses ("statutory basis") (1)	**10,468**	10,068	4	9,573	5
Statutory operating expenses to total operating income (%)	**42. 6**	42. 5	10 bpts	42. 6	(10)bpts
Statutory banking expense to operating income (%)	**38. 9**	39. 4	(50)bpts	40. 1	(70)bpts

(1) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

Year Ended June 2016 versus June 2015

Operating expenses ("statutory basis") increased 4% on the prior year to $10,468 million. The key drivers were:

Staff expenses: Increased 6% to $6,164 million, driven by a 1% impact from the lower Australian dollar, salary increases and investment in customer-facing frontline;

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

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

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

Group expense to income ratio: Increased 10 basis points on the prior year to 42.6%, reflecting higher costs, partly offset by income growth. The banking expense to income ratio improved 50 basis points on the prior year to 38.9%.

Group Performance Analysis

Year Ended June 2015 versus June 2014

Operating expenses ("statutory basis") increased 5% on the prior year to $10,068 million. The key drivers were:

Staff expenses: Increased 5% to $5,816 million largely due to a 1% impact from the lower Australian dollar and inflation-related salary increases;

Occupancy and equipment expenses: Increased 3% to $1,086 million, primarily due to adjustments resulting from rental reviews;

Information technology services expenses: Decreased by 3% to $1,292 million, driven by lower amortisation expenses and software write-offs;

Other expenses: Increased 15% to $1,799 million, driven by increased credit card loyalty redemption, and the cost of regulatory, compliance and remediation programs; and

Group expense to income ratio: Improved ten basis points on the prior year to 42.5%, reflecting higher revenues and productivity initiatives. The banking expense to income ratio improved 70 basis points on the prior year to 39.4%.

Staff Numbers

	Full Year Ended		
Full-Time Equivalent Staff	**2016**	**2015**	**2014**
Australia	**35,179**	35,878	34,312
Total	**45,129**	45,948	44,329

Investment Spend

	Full Year Ended				
	30 Jun 16 $M	**30 Jun 15 $M**	**Jun 16 vs Jun 15 %**	**30 Jun 14 $M**	**Jun 15 vs Jun 14 %**
Expensed investment spend (1)	**604**	539	12	598	(10)
Capitalised investment spend	**769**	707	9	584	21
Investment spend	**1,373**	1,246	10	1,182	5
Comprising:					
Productivity and growth	**701**	728	(4)	774	(6)
Risk and compliance	**505**	378	34	280	35
Branch refurbishment and other	**167**	140	19	128	9
Investment spend	**1,373**	1,246	10	1,182	5

(1) Included within Operating Expense disclosure on page 33 (previous page) of this Document.

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

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

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

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

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

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

Loan Impairment Expense

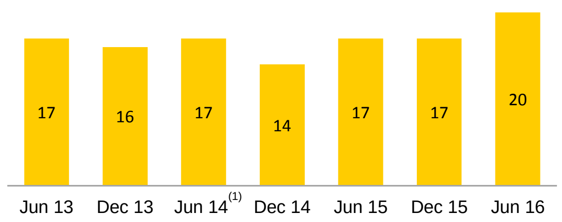
	Full Year Ended				
	30 Jun 16 $M	30 Jun 15 $M	Jun 16 vs Jun 15 %	30 Jun 14 $M	Jun 15 vs Jun 14 %
Retail Banking Services	**660**	626	5	582	8
Business and Private Banking	**179**	152	18	237	(36)
Institutional Banking and Markets	**252**	167	51	26	large
New Zealand	**120**	83	45	51	63
Bankwest	**(10)**	(50)	(80)	11	large
IFS and Other	**55**	10	large	11	(9)
Loan impairment expense ("statutory basis")	**1,256**	988	27	918	8

Year Ended June 2016 versus June 2015

Loan impairment expense ("statutory basis") increased 27% on the prior year to $1,256 million. The increase was driven by:

- An increase in Retail Banking Services as a result of higher home loan arrears and losses, predominantly from deterioration in mining towns, and higher personal loan arrears;
- A lower level of write-backs in Business and Private Banking;
- An increase in Institutional Banking and Markets due to a small number of large individual provisions, a lower level of write-backs and higher collective provisions;
- Higher rural lending provisioning within the New Zealand dairy sector, and higher unsecured retail provisioning, partly offset by improved home loan arrears;
- Continued albeit slower run-off of the troublesome and impaired book in Bankwest; and
- An increase in IFS as a result of provisions in the commercial lending portfolio.

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



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

Year Ended June 2015 versus June 2014

Loan impairment expense ("statutory basis") increased 8% on the prior year to $988 million. The increase was driven by:

- An increase in Retail Banking Services as a result of higher arrears in the unsecured portfolios and some portfolio growth;
- An increase in Institutional Banking and Markets due to a small number of large individual provisions and growth in client exposures; and
- An increase in New Zealand due to higher rural lending and unsecured retail provisions; partly offset by
- Fewer individual provisions in Business and Private Banking; and
- Reduced levels of individual provisions in Bankwest, consistent with the impact of the low interest rate environment.

Taxation Expense

Income Tax	30 Jun 16 $M	Restated 30 Jun 15 [1] $M	Jun 16 vs Jun 15 %	As reported 30 Jun 15 $M	As reported 30 Jun 14 $M	Jun 15 vs Jun 14 %
Retail Banking Services	**1,892**	1,706	11	1,651	1,569	5
Business and Private Banking	**673**	643	5	628	563	12
Institutional Banking and Markets	**356**	380	(6)	371	410	(10)
Wealth Management	**222**	201	10	199	231	(14)
New Zealand	**315**	302	4	295	239	23
Bankwest	**329**	342	(4)	324	291	11
IFS and Other	**(195)**	(135)	44	(29)	(53)	(45)
Total income tax expense ("cash basis")	**3,592**	3,439	4	3,439	3,250	6
Non-cash tax expense [2]	**15**	89	(83)	89	97	(8)
Total income tax expense ("statutory basis") [2]	**3,607**	3,528	2	3,528	3,347	5

Effective Tax Rate	30 Jun 16 %	Restated 30 Jun 15 [1] %	Jun 16 vs Jun 15 %	As reported 30 Jun 15 %	As reported 30 Jun 14 %	Jun 15 vs Jun 14 %
Retail Banking Services	**29. 9**	29. 9	-	29. 9	29. 9	-
Business and Private Banking	**30. 0**	30. 1	(10)bpts	30. 1	29. 9	20 bpts
Institutional Banking and Markets	**23. 4**	22. 8	60 bpts	22. 6	24. 7	(210)bpts
Wealth Management	**27. 2**	24. 9	230 bpts	24. 8	23. 3	150 bpts
New Zealand	**25. 5**	25. 7	(20)bpts	25. 8	24. 4	140 bpts
Bankwest	**30. 1**	30. 0	10 bpts	30. 1	30. 1	-
Total – corporate "statutory basis"	**27. 5**	27. 4	10 bpts	27. 4	27. 1	30 bpts

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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 8 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 26 to the 2016 Financial Report.

June 2016 versus Restated June 2015

Corporate tax expense ("statutory basis") for the year ended 30 June 2016 increased 2% on the prior year, representing a 27.5% effective tax rate.

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

As reported June 2015 versus June 2014

Corporate tax expense ("statutory basis") for the year ended 30 June 2015 was $3,528 million, a 5% increase on the prior year, representing a 27.4% effective tax rate.

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

Review of Group Assets and Liabilities

Total Group Assets and Liabilities	30 Jun 16 $M	Restated 30 Jun 15 [1] $M	Jun 16 vs Jun 15 %	As reported 30 Jun 15 $M	As reported 30 Jun 14 $M	Jun 15 vs Jun 14 %
Interest earning assets						
Home loans	**456,074**	422,851	8	422,851	399,685	6
Consumer Finance	**23,862**	23,497	2	23,497	23,058	2
Business and corporate loans	**220,611**	198,476	11	198,476	183,930	8
Loans, bills discounted and other receivables [2]	**700,547**	644,824	9	644,824	606,673	6
Non-lending interest earning assets	**137,838**	138,166	-	136,643	119,699	14
Total interest earning assets	**838,385**	782,990	7	781,467	726,372	8
Other assets [2]	**94,693**	90,456	5	91,979	65,079	41
Total assets	**933,078**	873,446	7	873,446	791,451	10
Interest bearing liabilities						
Transaction deposits [3]	**89,780**	89,360	-	90,589	76,947	18
Savings deposits	**191,313**	176,497	8	176,497	155,142	14
Investment deposits	**197,085**	195,065	1	195,065	192,956	1
Other demand deposits	**71,293**	67,074	6	67,074	60,832	10
Total interest bearing deposits	**549,471**	527,996	4	529,225	485,877	9
Debt issues	**162,716**	156,372	4	156,372	147,246	6
Other interest bearing liabilities	**54,101**	57,523	(6)	57,523	42,079	37
Total interest bearing liabilities	**766,288**	741,891	3	743,120	675,202	10
Non-interest bearing transaction deposits [3]	**37,000**	14,168	large	-	-	-
Other non-interest bearing liabilities	**69,034**	64,394	7	77,333	66,901	16
Total liabilities	**872,322**	820,453	6	820,453	742,103	11

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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) Loans, bills discounted and other receivables exclude provisions for impairment which are included in Other assets.

(3) During the period, following a change in terms, Interest bearing transaction deposits of $18,314 million became Non-interest bearing and have been disclosed accordingly. Comparative figures for the 2014 financial year have not been disclosed.

June 2016 versus Restated June 2015

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

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

Home loans

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

Consumer finance

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

Business and corporate loans

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

Non-lending interest earning assets

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

Other assets

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

Interest bearing deposits

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

Debt issues

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

Refer to page 50 for further information on debt programs and issuance for the year ended 30 June 2016.

Other interest bearing liabilities

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

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits, including business and personal transaction accounts, increased $23 billion to $37 billion. This includes an $18 billion increase in non-interest bearing transaction deposits following a change in terms, with underlying growth remaining strong. Refer to Appendix C of this Document for further information.

Other non-interest bearing liabilities

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

As reported June 2015 versus June 2014

Asset growth of $82 billion, or 10%, on the prior year was due to increased home lending, increased business and corporate lending, and higher cash and liquid asset balances and derivative assets.

The Group continued to satisfy a significant portion of lending growth from customer deposits. Customer deposits now represent 63% of total funding (30 June 2014: 64%).

Home loans

Home loan balances increased $23 billion to $423 billion, reflecting a 6% increase on the prior year. Growth in Retail Banking Services and Bankwest was slightly below system growth, within a competitive market environment.

Consumer finance

Personal loans, including credit cards and margin lending, increased 2% on the prior year to $23 billion with solid growth in personal lending and credit cards in Retail Banking Services, Business and Private Banking and New Zealand.

Business and corporate loans

Business and corporate loans increased $15 billion to $198 billion, an 8% increase on the prior year, or 7% excluding the effect of a 1% benefit from the lower Australian dollar. This was driven by strong growth in commercial and institutional lending balances, higher leasing balances, and above system growth in New Zealand. This was partly offset by the continued reduction in higher risk pre-acquisition exposures in Bankwest.

Non-lending interest earning assets

Non-lending interest earning assets increased $17 billion to $137 billion, reflecting a 14% increase on the prior year, including a 3% benefit from the lower Australian dollar. This was driven by higher liquid asset balances held as a result of Balance Sheet growth and regulatory requirements.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, increased $27 billion to $92 billion, a 41% increase on the prior year. This increase reflected higher derivative asset balances due to foreign exchange volatility.

Interest bearing deposits

Interest bearing deposits increased $43 billion to $529 billion, a 9% increase on the prior year. This was driven by growth of $21 billion in savings deposits, a $14 billion increase in transaction deposits, a $6 billion increase in other demand deposits, and a $2 billion increase in investment deposits.

Debt issues

Debt issues increased $9 billion to $156 billion, a 6% increase on the prior year.

Refer to page 50 of this Document for further information on debt programs and issuance for the year ended 30 June 2015.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, increased $15 billion to $57 billion, a 37% increase on the prior year.

Non-interest bearing liabilities

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased $10 billion to $77 billion, a 16% increase on the prior year.

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Contents

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M	Jun 16 vs Jun 15 %	Jun 15 vs Jun 14 %
Provisions for impairment losses					
Collective provision	**2,818**	2,762	2,779	2	(1)
Individually assessed provisions	**944**	887	1,127	6	(21)
Total provisions for impairment losses	**3,762**	3,649	3,906	3	(7)
Less: Provisions for Off Balance Sheet exposures	**(44)**	(31)	(40)	42	(23)
Total provisions for loan impairment	**3,718**	3,618	3,866	3	(6)

Year Ended June 2016 versus June 2015

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

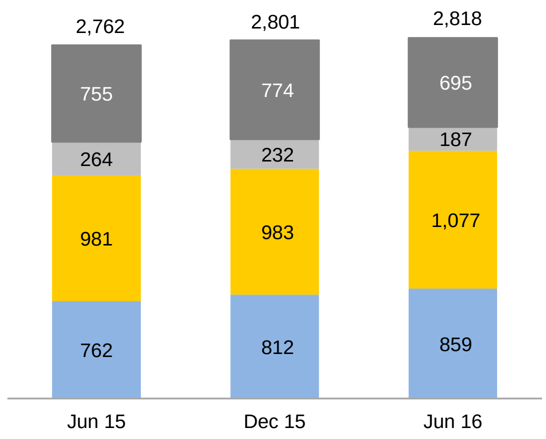
- A small number of large individually assessed provisions in Institutional Banking and Markets;
- An increase in commercial collective provisions from the annual review of provisioning factors and an increase in Institutional Banking and Markets collective provisions; and
- An increase in consumer collective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

Year Ended June 2015 versus June 2014

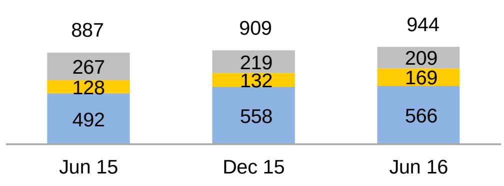
Total provisions for impairment losses decreased 7% on the prior year to $3,649 million. The movement in the level of provisioning reflects:

- A reduction in individually assessed provisions as the level of impaired assets continued to reduce;
- A reduction of Bankwest collective provisions as troublesome loans continued to be refinanced or repaid; partly offset by
- An increase in collective provisioning in the Consumer portfolios, reflecting higher volume of loans and higher arrears;
- An increase in collective provisioning in the Commercial portfolios as a result of the annual review of factors and refinements to models; and
- Economic overlays remaining unchanged on the prior year.

Collective Provisions ($M)



Individually Assessed Provisions ($M)



Overlay Bankwest Consumer Commercial

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

Credit Quality Metrics	Full Year Ended				
	30 Jun 16	30 Jun 15	Jun 16 vs Jun 15 %	30 Jun 14	Jun 15 vs Jun 14 %
Gross loans and acceptances (GLAA) ($M)	**701,730**	646,172	9	608,127	6
Risk weighted assets (RWA) ($M) - Basel III	**394,667**	368,721	7	337,715	9
Credit RWA ($M) - Basel III	**344,030**	319,174	8	289,138	10
Gross impaired assets ($M)	**3,116**	2,855	9	3,367	(15)
Net impaired assets ($M)	**1,989**	1,829	9	2,101	(13)
Provision Ratios					
Collective provision as a % of credit RWA - Basel III	**0. 82**	0. 87	(5)bpts	0. 96	(9)bpts
Total provisions as a % of credit RWA - Basel III	**1. 09**	1. 14	(5)bpts	1. 35	(21)bpts
Total provisions for impaired assets as a % of gross impaired assets	**36. 17**	35. 94	23 bpts	37. 60	(166)bpts
Total provisions for impairment losses as a % of GLAAs	**0. 54**	0. 56	(2)bpts	0. 64	(8)bpts
Asset Quality Ratios					
Gross impaired assets as a % of GLAAs	**0. 44**	0. 44	-	0. 55	(11)bpts
Loans 90+ days past due but not impaired as a % of GLAAs	**0. 33**	0. 36	(3)bpts	0. 39	(3)bpts
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**0. 19**	0. 16	3 bpts	0. 16	-

Provision Ratios

Management believes its provision coverage ratios remain prudent. The impaired asset portfolio remains well provisioned with provision coverage of 36.17% of gross impaired assets.

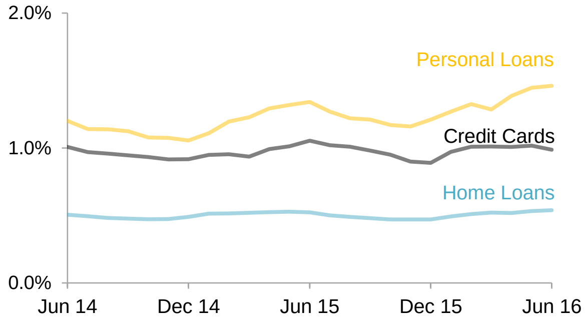
Asset Quality

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

Retail Portfolios – Arrears Rates

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

90+ Days Arrears Ratios (%) [(1)]

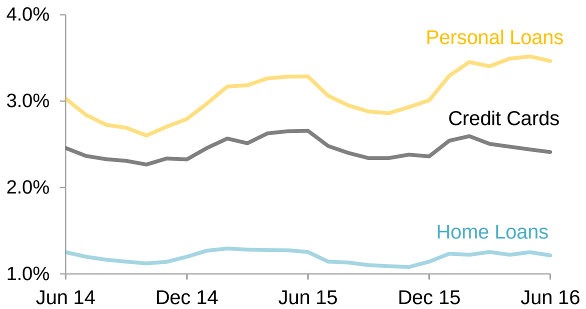


Troublesome and Impaired Assets

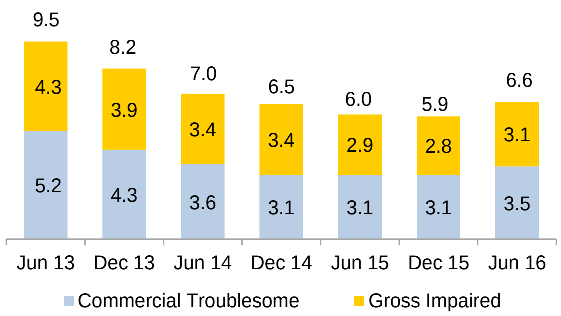
Commercial troublesome assets increased 14% during the year to $3,476 million.

Gross impaired assets increased 9% on the prior year to $3,116 million. Gross impaired assets as a proportion of gross loans and acceptances ("GLAAs") of 0.44% was unchanged on the prior year.

30+ Days Arrears Ratios (%) [(1)]



Troublesome and Impaired Assets ($B)



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

Capital

Basel Regulatory Framework

Background

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

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

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

Financial System Inquiry

In December 2014, the Government released the final report of the Inquiry.

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

- An APRA study entitled "International capital comparison study", which endorsed the Inquiry recommendation that the capital of Australian ADIs should be unquestionably strong; and
- An increase in the average risk-weight approach for Australian mortgages under the Internal Ratings Based ("IRB") approach, effective from 1 July 2016, with the change aimed at increasing mortgage competition between the major banks and non-major banks.

On 5 August 2016, APRA reaffirmed its aim to increase the average risk weight on Australian mortgages measured across all IRB ADIs to an average of at least 25 per cent. APRA has advised both recalibration and modelling changes which are likely to lead to some volatility in mortgage risk weights over coming quarters as the changes are finalised.

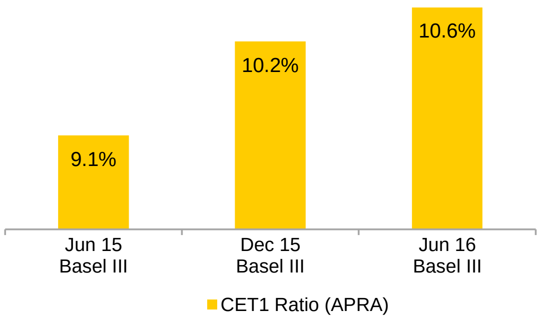
In September 2015, the Group completed a $5.1 billion institutional and retail entitlement offer, ahead of the implementation of the increased capital requirements for Australian residential mortgages.

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

Capital (continued)

Capital Position

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



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

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

Capital Initiatives

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

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

Further details on the Group's current regulatory capital position are included on pages 45 to 47.

Pillar 3 Disclosures

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

Other Regulatory Changes

Basel Committee on Banking Supervision

The BCBS has issued a number of consultation documents related to:

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

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

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

Composition of Level 2 ADI Groups

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

Conglomerate Groups

APRA is extending its prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. In August 2016, APRA advised that it was deferring finalisation of the capital requirements with respect to Conglomerate Groups until after the completion of other domestic and international policy initiatives. APRA does not propose that consultation on the capital requirements will commence earlier than mid-2017. Non-capital related requirements, which include such items as governance, risk exposures and intra group exposures, will become effective on 1 July 2017.

Capital (continued)

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

Risk Weighted Capital Ratios	APRA 30 Jun 16 %	APRA 31 Dec 15 %	APRA 30 Jun 15 %
Common Equity Tier 1	**10. 6**	10. 2	9. 1
Tier 1	**12. 3**	12. 2	11. 2
Tier 2	**2. 0**	1. 9	1. 5
Total Capital (APRA)	**14. 3**	14. 1	12. 7

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

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

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

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

(4) Non-controlling interests predominantly comprise ASB Perpetual Preference Shares of NZ$550 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)

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

(1) Goodwill excludes $322 million which is included in equity investments in non-controlled subsidiaries.
(2) Other intangibles (including capitalised software costs), net of any associated deferred tax liability.
(3) In accordance with APRA regulations, the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability, must be deducted from Common Equity Tier 1.
(4) Adjustment to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of individual facilities, as required by APRA Prudential Standard APS 220.
(5) Represents the Group's non-controlling interest in other entities.
(6) Non-consolidated subsidiaries primarily represents the insurance and funds management companies operating within in the Colonial Group. The adjustment at 30 June 2016 is net of $900 million in non-recourse debt (31 December 2015: $900 million, 30 June 2015: $900 million) and $1,000 million in Colonial Group Subordinated Notes (31 December 2015: $1,000 million, 30 June 2015: $1,000 million). The Group's insurance and fund management companies held $1,215 million of capital in excess of minimum regulatory capital requirements at 30 June 2016.
(7) Regulatory Expected Loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (pre-tax).
(8) As at 30 June 2016, comprises PERLS VIII $1,450 million issued March 2016, PERLS VII $3,000 million issued in October 2014 and PERLS VI $2,000 million issued in October 2012.
(9) Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments that are eligible for Basel III transitional relief. In the June 2016 half year the Group redeemed USD700 million in Trust Preferred Securities 2006 and bought back and cancelled AUD1,166 million of PERLS III.
(10) Represents holdings of Additional Tier 1 capital instruments issued by the Colonial Mutual Life Assurance Society Limited.
(11) In the June half year, the Group issued AUD750 million Tier 2 subordinated notes (December half year issued USD1,250 million Tier 2 subordinated notes).
(12) Includes both perpetual and term instruments subordinated to depositors and general creditors, having an original maturity of at least five years. APRA require these to be included as if they were unhedged. Term instruments are amortised 20% of the original amount during each of the last five years to maturity. These instruments are eligible for Basel III transitional relief.
(13) Represents the collective provision and general reserve for credit losses for exposures in the Group which are measured for capital purposes under the Standardised approach to credit risk.

Capital (continued)

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

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

Group Operations and Business Settings

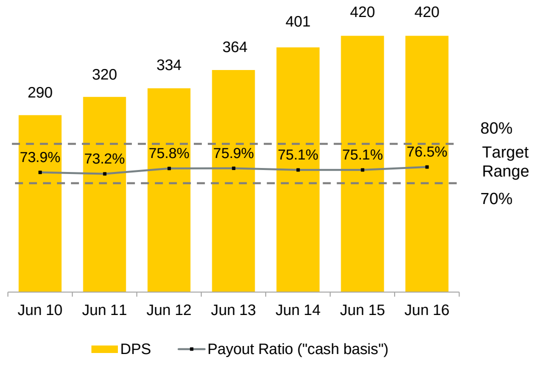
Dividends

Final Dividend for the Year Ended 30 June 2016

The final dividend declared was $2.22 per share, bringing the total dividend for the year ended 30 June 2016 to $4.20 per share, in line with the prior full year dividend. This represents a dividend payout ratio ("statutory basis") of 78.3%.

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

Full Year Dividend History (cents per share)



Dividend Reinvestment Plan

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

Dividend Policy

The Group will seek to:

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

Leverage Ratio

Summary Group Leverage Ratio	As at 30 Jun 16	As at 31 Dec 15
Tier 1 Capital ($M)	48,553	47,972
Total Exposures ($M) (1)	980,846	952,969
Leverage Ratio (APRA) (%)	**5. 0**	**5. 0**

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

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

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

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

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

Liquidity

Level 2 All Currency (1)	30 Jun 16 $M	30 Jun 15 $M	Jun 16 vs Dec 15 %
	As at		
Liquidity Coverage Ratio (LCR)			
High Quality liquid Assets (HQLA) (2)	**75,147**	65,940	14
Committed Liquidity Facility	**58,500**	66,000	(11)
Total LCR Liquid Assets	**133,647**	131,940	1
Net Cash Outflows			
Customer Deposits	**70,139**	65,832	7
Wholesale Funding (3)	**19,406**	30,753	(37)
Other net cash outflows (4)	**21,854**	13,819	58
Total Net Cash Outflows	**111,399**	110,404	1
Liquidity Coverage Ratio (%)	**120**	120	-
LCR Surplus	**22,248**	21,536	3

(1) The liquidity standard (APS 210) incorporating the Liquidity Coverage Ratio (LCR) was not implemented in Australia until 1 January 2015, therefore comparable numbers for June 2014 are not available.
(2) 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).
(3) Includes all interbank deposits that are included as short-term wholesale funding on page 52.
(4) Includes cash inflows.

Year Ended June 2016 versus June 2015

The Group holds what management believes to be high quality, well diversified liquid assets to meet Balance Sheet liquidity needs and internal and external regulatory requirements, such as APRA's Liquidity Coverage Ratio ("LCR"). At 30 June 2016, the Group's LCR was 120%, which remained flat on the prior year.

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

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

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

Year Ended June 2015 versus June 2014

From 1 January 2015, the Group was subject to APRA's LCR, which requires LCR liquid assets to exceed net cash outflows projected under a prescribed 30 day stress scenario. As at 30 June 2015, the LCR was 120% with LCR liquid assets of $132 billion, including a $66 billion CLF from the RBA.

In the six months to June 2015, the LCR increased from 116% to 120%, with a $7 billion decrease in net cash outflows, more than offsetting a $4 billion decrease in LCR liquid assets, due to a $4 billion reduction in the CLF to $66 billion from 1 April 2015. The introduction of a 31 day notice period for early withdrawals of term deposits and other liquidity management measures taken contributed to the reduction in net cash outflows.

For further information on the Group's liquidity management please see Note 34 to the 2016 Financial Report.

Liquidity and Capital Resources

The Group's key liquidity tools include:

- A regulatory liquidity management reporting system delivering granular customer and product type information to inform business decision making, product development and resulting in a greater awareness of the liquidity risk adjusted value of banking products;
- A liquidity management model similar to a "maturity ladder" or "liquidity gap analysis" that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "stress" liquidity crisis scenarios, incorporating both systemic and "name" crisis assumptions, such that the Group 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 Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- A Contingent Funding Plan, as discussed in Note 34 to the 2016 Financial Report that is regularly tested so that it can be activated in case of need due to a liquidity event.

Debt Issues

	Note	2016 $M	2015 $M	2014 $M
Medium-term notes		**88,343**	76,039	72,608
Commercial paper		**29,033**	37,032	32,905
Securitisation notes		**12,106**	12,603	11,426
Covered bonds		**31,802**	28,755	25,280
Total debt issues		**161,284**	154,429	142,219
Short Term Debt Issues by currency				
USD		**29,008**	36,543	32,155
EUR		**-**	-	178
AUD		**214**	267	164
GBP		**6,741**	169	333
Other currencies		**312**	53	75
Total short term debt issues		**36,275**	37,032	32,905
Long Term Debt Issues by currency (1)				
USD		**43,479**	43,049	39,996
EUR		**28,329**	26,247	23,166
AUD		**27,223**	21,167	19,728
GBP		**5,604**	9,195	7,314
NZD		**4,839**	3,670	4,019
JPY		**6,547**	6,448	6,353
Other currencies		**8,464**	7,169	8,292
Offshore loans (all JPY)		**524**	452	446
Total long term debt issues		**125,009**	117,397	109,314
Maturity Distribution of Debt Issues (2)				
Less than twelve months		**64,459**	59,532	53,280
Greater than twelve months		**96,825**	94,897	88,939
Total debt issues		**161,284**	154,429	142,219

(1) Long-term debt disclosed relates to debt issues which have a maturity at inception of greater than 12 months.
(2) Represents the remaining contractual maturity of the underlying instrument.

For further information on the Group's Debt Issues please see Note 20 to the 2016 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 2016. Access in a timely and flexible manner to a diverse range of debt markets and investors is provided by the following programs.

Debt Programs and Issuing Shelves

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

(1) ASB Finance Limited, London Branch, is also an issuer under this program. Issuances by ASB Finance Limited, London Branch, under this program are unconditionally and irrevocably guaranteed by ASB Bank Limited.
(2) Internally set limit.
(3) ASB Bank Limited is not an issuer under this program.
(4) Amount is reflected under the $70 billion Euro Medium Term Note Program.

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 20 and 22 to the 2016 Financial Report.

Group Operations and Business Settings

Funding

Group Funding (2)	30 Jun 16 $M	Restated 30 Jun 15 (1) $M	As reported 30 Jun 15 $M	As reported 30 Jun 14 $M	Jun 16 vs Jun 15 %	Jun 15 vs Jun 14 %
Customer deposits	**517,974**	477,811	477,811	438,890	8	9
Short-term wholesale funding	**110,714**	106,763	131,837	109,318	4	21
Short sales	**-**	-	4,437	4,103	-	8
Long-term wholesale funding - less than one year residual maturity	**29,297**	28,392	27,479	30,892	3	(11)
Long-term wholesale funding - more than one year residual maturity (3)	**118,121**	111,429	105,055	102,163	6	3
IFRS MTM and derivative FX revaluations	**4,149**	2,346	11,657	3,251	77	large
Total wholesale funding	**262,281**	248,930	280,465	249,727	5	12
Short-term collateral deposits (4)	**8,323**	11,729	-	-	(29)	-
Total funding	**788,578**	738,470	758,276	688,617	7	10

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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) Shareholders' equity is excluded from this view of funding sources, other than the USD Trust Preferred Securities, which are classified as other equity instruments in the statutory Balance Sheet.

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

(4) Short-term collateral deposits includes net collateral received and the amount of internal RMBS pledged with the Reserve Bank to facilitate intra-day cash flows in the ESA. The Group commenced disclosure of Short-term collateral deposits on 30 June 2016 and therefore 2014 comparatives have not been presented.

Year Ended June 2016 versus Restated June 2015

Customer Deposits

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

Short-Term Wholesale Funding

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

Long-Term Wholesale Funding

Long-term wholesale funding includes debt with an original maturity or call date of greater than 12 months. The cost of new long-term wholesale funding increased compared to the prior year. During the period, the Group raised $38 billion of long-term wholesale funding in multiple currencies including AUD, USD, EUR, and GBP.

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

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

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

Short-Term Collateral Deposits

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

As reported June 2015 versus June 2014

Customer Deposits

Customer deposits accounted for 63% of total funding at 30 June 2015, compared to 64% in the prior year. Deposit growth has seen the Group satisfy a significant proportion of lending growth from customer deposits. The remaining 37% of total funding comprised various wholesale debt issuances.

Short-Term Funding

Short-term funding (including short sales) accounted for 49% of total wholesale funding at 30 June 2015, up from 45% in the prior year, largely driven by the impact of the lower Australian dollar.

Long-Term Funding

Long-term wholesale funding conditions remained stable over the year compared to the previous 12 months with continued central bank stimulus. During the year, the Group issued $31 billion of long-term wholesale debt transactions in multiple currencies including AUD, USD, EUR, and GBP. Given steady funding conditions, most issuances were in senior unsecured format, although the Group also used RMBS and its covered bond program to provide cost, tenor and diversification benefits. The WAM of new long-term wholesale debt issued in the year was 4.2 years. The WAM of outstanding long-term wholesale debt was 3.8 years at 30 June 2015.

Long-term wholesale funding (including adjustment for IFRS Mark-to-market ("MTM") and derivative FX revaluations) accounted for 51% of total wholesale funding at 30 June 2015, compared to 55% at prior year end.

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Contents

Section 7 - Divisional Performance

Retail Banking Services

	Full Year Ended					
		Restated		As reported		
	30 Jun 16 $M	30 Jun 15 [1] $M	Jun 16 vs Jun 15 %	30 Jun 15 $M	30 Jun 14 $M	Jun 15 vs Jun 14 %
Net interest income	**8,599**	7,848	10	7,691	7,307	5
Other banking income	**1,762**	1,754	-	1,746	1,695	3
Total banking income	**10,361**	9,602	8	9,437	9,002	5
Operating expenses	**(3,373)**	(3,276)	3	(3,293)	(3,173)	4
Loan impairment expense	**(660)**	(626)	5	(626)	(582)	8
Net profit before tax	**6,328**	5,700	11	5,518	5,247	5
Corporate tax expense	**(1,892)**	(1,706)	11	(1,651)	(1,569)	5
Net profit after tax ("cash basis")	**4,436**	3,994	11	3,867	3,678	5
Net profit after tax ("statutory basis") [2]	**4,436**	3,994	11	3,867	3,678	5
Income analysis:						
Net interest income						
Home loans	**3,887**	3,561	9	3,462	3,465	-
Consumer finance [3]	**2,012**	1,879	7	1,870	1,782	5
Retail deposits	**2,639**	2,336	13	2,289	1,964	17
Other [4]	**61**	72	(15)	70	96	(27)
Total net interest income	**8,599**	7,848	10	7,691	7,307	5
Other banking income						
Home loans	**213**	217	(2)	214	211	1
Consumer finance [3]	**508**	545	(7)	586	545	8
Retail deposits	**510**	503	1	460	455	1
Distribution [5]	**427**	396	8	395	393	1
Other [4]	**104**	93	12	91	91	-
Total other banking income	**1,762**	1,754	-	1,746	1,695	3
Total banking income	**10,361**	9,602	8	9,437	9,002	5

	As at					
		Restated		As reported		
Balance Sheet	30 Jun 16 $M	30 Jun 15 [1] $M	Jun 16 vs Jun 15 %	30 Jun 15 $M	30 Jun 14 $M	Jun 15 vs Jun 14 %
Home loans	**311,351**	289,633	7	290,222	271,244	7
Consumer finance [3]	**17,165**	16,897	2	16,892	16,387	3
Other interest earning assets	**1,891**	1,943	(3)	2,130	2,303	(8)
Total interest earning assets	**330,407**	308,473	7	309,244	289,934	7
Other assets	**1,411**	1,070	32	1,069	839	27
Total assets	**331,818**	309,543	7	310,313	290,773	7
Transaction deposits [6]	**17,975**	27,095	(34)	25,811	18,750	38
Savings deposits	**118,444**	107,069	11	108,238	88,434	22
Investment deposits and other	**72,932**	79,663	(8)	78,530	88,978	(12)
Total interest bearing deposits	**209,351**	213,827	(2)	212,579	196,162	8
Non-interest bearing transaction deposits [7]	**25,336**	5,298	large	-	-	-
Other non-interest bearing liabilities	**3,078**	2,825	9	8,439	7,222	17
Total liabilities	**237,765**	221,950	7	221,018	203,384	9

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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 8 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 26 to the 2016 Financial Report.

(3) Consumer finance includes personal loans and credit cards.

(4) Other includes asset finance, merchants and business lending.

(5) Distribution includes income associated with the sale of foreign exchange products, and commissions received from the distribution of wealth management products through the retail network.

(6) Includes 'Everyday Offset' accounts.

(7) During the period, following a change in terms, Interest bearing transaction deposits of $17,224 million became Non-interest bearing and have been disclosed accordingly. Comparative figures for the 2014 financial year have not been disclosed.

Key Financial Metrics	Full Year Ended					
		Restated		As reported		
	30 Jun 16	30 Jun 15 (1)	Jun 16 vs Jun 15 %	30 Jun 15	30 Jun 14	Jun 15 vs Jun 14 %
Performance indicators						
Return on assets (%)	**1. 4**	1. 3	10 bpts	1. 2	1. 3	(10)bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 21**	0. 21	-	0. 21	0. 21	-
Statutory operating expenses to total banking income (%)	**32. 6**	34. 1	(150)bpts	34. 9	35. 2	(30)bpts
Other asset/liability information						
Average interest earning assets ($M)	**317,838**	297,856	7	298,055	281,676	6
Average interest bearing liabilities ($M)	**215,746**	206,739	4	206,038	191,866	7

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.

Retail Banking Services

Financial Performance and Business Review

Year Ended June 2016 versus Restated June 2015

Retail Banking Services' Net profit after tax ("statutory basis") for the full year ended 30 June 2016 was $4,436 million, an increase of 11% 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 2016, the Retail bank remained ranked number one in customer satisfaction amongst its peers(1).

Net Interest Income

Net interest income was $8,599 million, an increase of 10% on the prior year. This was driven by improved net interest margin and strong volume growth, primarily in home lending.

Balance Sheet growth included:

- Home loan growth of 7%, with continued growth in the broker channel, consistent with market trend;
- Consumer finance growth of 2% in a competitive environment; and
- Total deposit balance growth of 7%, resulting from strong growth in savings and transaction accounts.

Net interest margin increased, reflecting:

- Improved margins across the lending portfolio; and
- Increased deposit margins, in particular investment and savings margins, partly offset by a reduction in the cash rate.

Other Banking Income

Other banking income was $1,762 million, flat on the prior year, reflecting:

- An increase in deposit fee income from higher transaction volumes; and
- Higher distribution income, driven by increased foreign exchange transactions; offset by
- Lower consumer finance income, primarily due to the interchange rate reduction.

Operating Expenses

Operating expenses were $3,373 million, an increase of 3% 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 benefits of productivity savings.

The operating expense to total banking income ratio was 32.6%, a decrease of 150 basis points on the prior year.

Loan Impairment Expense

Loan impairment expense was $660 million, an increase of 5% on the prior year. The increase was driven by higher home loan arrears and losses, predominantly due to deterioration in mining towns, and higher personal loan arrears, partly offset by improvement in the credit card portfolio.

As reported June 2015 versus June 2014

Retail Banking Services' Net profit after tax ("statutory basis") for the full year ended 30 June 2015 was $3,867 million, an increase of 5% on the prior year. The result was driven by continued solid growth in total banking income, partly offset by higher expenses due to inflation and investment in distribution, and increased loan impairment expense.

Net Interest Income

Net interest income was $7,691 million, an increase of 5% on the prior year. This was supported by solid volume growth across all key product areas.

Balance Sheet growth included:

- Home loan growth of 7%, with a growing contribution from the broker channel in line with the broader market;
- Consumer finance growth of 3%, due to increased credit card spend and solid growth in personal lending; and
- Interest bearing deposit balance growth of 8%, driven by strong growth in savings and transaction accounts with customer preference for at-call deposits.

Net interest margin decreased, reflecting:

- Reduced margins across the lending portfolio driven by intense pricing competition; partly offset by
- Improved margins for deposits, driven by higher investment margins, partly offset by the reduction in the cash rate.

Other Banking Income

Other banking income was $1,746 million, an increase of 3% on the prior year, reflecting:

- Growth in consumer finance fees of 8% primarily driven by strong credit card purchase volumes;
- Higher deposit fee income due to increased interchange revenue; and
- Home loan fee income up 1% from higher volumes.

Operating Expenses

Operating expenses for the year were $3,293 million, an increase of 4% on the prior year. The key drivers were inflation, higher credit card loyalty redemption activity and ongoing investment in technology and frontline capabilities, partly offset by productivity savings. The operating expense to total banking income ratio was 34.9%, a decrease of 30 basis points on the prior year.

Loan Impairment Expense

Loan impairment expense was $626 million, an increase of 8% on the prior year. This result was mainly driven by higher unsecured portfolio arrears.

(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 2016. Rank based on the major four Australian banks.

	Full Year Ended					
		Restated		As reported		
	30 Jun 16	30 Jun 15 (1)	Jun 16 vs	30 Jun 15	30 Jun 14	Jun 15 vs
	$M	$M	Jun 15 %	$M	$M	Jun 14 %
Net interest income	**3,049**	2,925	4	2,827	2,695	5
Other banking income	**859**	793	8	809	764	6
Total banking income	**3,908**	3,718	5	3,636	3,459	5
Operating expenses	**(1,489)**	(1,428)	4	(1,397)	(1,338)	4
Loan impairment expense	**(179)**	(152)	18	(152)	(237)	(36)
Net profit before tax	**2,240**	2,138	5	2,087	1,884	11
Corporate tax expense	**(673)**	(643)	5	(628)	(563)	12
Net profit after tax ("cash basis")	**1,567**	1,495	5	1,459	1,321	10
Net profit after tax ("statutory basis") (2)	**1,567**	1,495	5	1,459	1,321	10
Income analysis:						
Net interest income						
Corporate Financial Services	**1,085**	1,036	5	985	918	7
Regional & Agribusiness	**554**	558	(1)	555	549	1
Local Business Banking	**953**	915	4	879	841	5
Private Bank	**304**	270	13	265	245	8
CommSec	**153**	146	5	143	142	1
Total net interest income	**3,049**	2,925	4	2,827	2,695	5
Other banking income						
Corporate Financial Services	**310**	286	8	293	281	4
Regional & Agribusiness	**92**	84	10	92	88	5
Local Business Banking	**184**	171	8	169	178	(5)
Private Bank	**62**	59	5	60	52	15
CommSec	**211**	193	9	195	165	18
Total other banking income	**859**	793	8	809	764	6
Total banking income	**3,908**	3,718	5	3,636	3,459	5
Income by product:						
Business Products	**2,232**	2,167	3	2,148	2,093	3
Retail Products	**1,110**	985	13	995	918	8
Equities and Margin Lending	**330**	317	4	316	277	14
Markets	**140**	131	7	130	123	6
Other	**96**	118	(19)	47	48	(2)
Total banking income	**3,908**	3,718	5	3,636	3,459	5

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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 8 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 26 to the 2016 Financial Report.

Business and Private Banking

Balance Sheet	30 Jun 16 $M	Restated 30 Jun 15 [1] $M	Jun 16 vs Jun 15 %	As reported 30 Jun 15 $M	As reported 30 Jun 14 $M	Jun 15 vs Jun 14 %
Home loans	**34,318**	32,580	5	31,990	31,238	2
Consumer finance	**724**	712	2	756	722	5
Business loans	**65,780**	62,278	6	62,225	59,414	5
Margin loans	**2,697**	2,676	1	2,676	2,714	(1)
Total interest earning assets	**103,519**	98,246	5	97,647	94,088	4
Non-lending interest earning assets	**238**	259	(8)	233	176	32
Other assets [2]	**454**	485	(6)	512	191	large
Total assets	**104,211**	98,990	5	98,392	94,455	4
Transaction deposits	**12,030**	11,383	6	12,516	10,795	16
Savings deposits	**31,237**	28,830	8	27,703	23,693	17
Investment deposits and other	**25,677**	24,755	4	25,090	22,566	11
Total interest bearing deposits	**68,944**	64,968	6	65,309	57,054	14
Non-interest bearing transaction deposits [2]	**6,912**	5,252	32	-	-	-
Other non-interest bearing liabilities	**834**	886	(6)	5,829	5,081	15
Total liabilities	**76,690**	71,106	8	71,138	62,135	14

Full Year Ended

Key Financial Metrics	30 Jun 16	Restated 30 Jun 15 [1]	Jun 16 vs Jun 15 %	As reported 30 Jun 15	As reported 30 Jun 14	Jun 15 vs Jun 14 %
Performance indicators						
Return on assets (%)	**1. 5**	1. 5	-	1. 5	1. 4	10 bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 18**	0. 16	2 bpts	0. 16	0. 26	(10)bpts
Statutory operating expenses to total banking income (%)	**38. 1**	38. 4	(30)bpts	38. 4	38. 7	(30)bpts
Other asset/liability information						
Average interest earning assets ($M)	**100,336**	95,781	5	95,906	91,900	4
Average interest bearing liabilities ($M)	**68,835**	62,654	10	63,066	55,817	13

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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 period, following a change in terms, Interest bearing transaction deposits of $1,090 million became Non-interest bearing and have been disclosed accordingly. Comparative figures for the 2014 financial year have not been disclosed.

Financial Performance and Business Review

Year Ended June 2016 versus Restated June 2015

Business and Private Banking's Net profit after tax ("statutory basis") for the full year ended 30 June 2016 was $1,567 million, an increase of 5% on the prior year. The result was driven by solid growth in total banking income, partly offset by higher expenses and increased loan impairment expense.

Net Interest Income

Net interest income was $3,049 million, an increase of 4% on the prior year. This was driven by solid growth in deposit and business lending balances.

Balance Sheet growth included:

- Deposit growth of 8%, reflecting strong growth for at-call products;
- Business lending growth of 6% in a competitive environment; and
- Home loan growth of 5%, reflecting the lower exposure to broker channels.

Net interest margin was stable reflecting higher deposit and home lending margins, offset by lower business lending margins.

Other Banking Income

Other banking income was $859 million, an increase of 8% on the prior year, reflecting:

- An increase of 20% in equities trading volumes;
- Increased merchant income driven by the interchange rate reduction; and
- Higher business lending fee income driven by volume growth and a mix shift towards products with a higher relative proportion of fee income.

Operating Expenses

Operating expenses were $1,489 million, an increase of 4% on the prior year, reflecting higher staff costs, investment in frontline and product development initiatives, partly offset by productivity savings.

Loan Impairment Expense

Loan impairment expense was $179 million, an increase of $27 million on the prior year, driven by a lower level of write-backs. The credit quality of the underlying portfolio remains stable, due in part to a low interest rate environment.

Loan impairment expense as a percentage of average gross loans and acceptances increased two basis points to 18 basis points.

As reported June 2015 versus June 2014

Business and Private Banking's Net profit after tax ("statutory basis") for the full year ended 30 June 2015 was $1,459 million, an increase of 10% on the prior year. The result was driven by strong growth in deposit and business lending income, reflecting above system balance growth in key product lines, and lower loan impairment expense. This was partly offset by growth in operating expenses of 4%.

Net Interest Income

Net interest income was $2,827 million, an increase of 5% on the prior year. This reflected strong growth in deposit and business lending balances with a continued focus on meeting more customer needs, and higher margins.

Balance Sheet growth included:

- An increase of 14% in interest bearing customer deposits with strong growth across all products;
- Business lending growth of 5% reflecting continued customer demand for market rate linked products; and
- Home loan increase of 2%, with subdued growth in new business volumes, partly offset by higher levels of repayments.

Net interest margin increased reflecting higher deposit margins.

Other Banking Income

Other banking income was $809 million, an increase of 6% on the prior year, due to:

- An increase of 13% in equities trading volumes;
- Higher revenue from increased equity capital markets activity; and
- Higher revenue from the sale of interest rate risk management products.

Operating Expenses

Operating expenses were $1,397 million, an increase of 4% on the prior year, reflecting investment in frontline and technology-related initiatives, partly offset by reduced amortisation and a continued focus on productivity.

Loan Impairment Expense

Loan impairment expense was $152 million, a decrease of 36% on the prior year, reflecting fewer individual provisions. The quality of the underlying portfolio remains stable, due in part to a low interest rate environment.

Loan impairment expense as a percentage of average gross loans and acceptances, decreased 10 basis points to 16 basis points.

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	Full Year Ended					
		Restated		As reported		
	30 Jun 16 $M	30 Jun 15 [1] $M	Jun 16 vs Jun 15 %	30 Jun 15 $M	30 Jun 14 $M	Jun 15 vs Jun 14 %
Net interest income	**1,565**	1,442	9	1,452	1,404	3
Other banking income	**1,288**	1,360	(5)	1,367	1,262	8
Total banking income	**2,853**	2,802	2	2,819	2,666	6
Operating expenses	**(1,081)**	(970)	11	(1,013)	(943)	7
Loan impairment expense	**(252)**	(167)	51	(167)	(61)	large
Net profit before tax	**1,520**	1,665	(9)	1,639	1,662	(1)
Corporate tax expense	**(356)**	(380)	(6)	(371)	(410)	(10)
Net profit after tax ("cash basis")	**1,164**	1,285	(9)	1,268	1,252	1
Bell Group litigation (after tax)	**-**	-	-	-	25	large
Net profit after tax ("statutory basis") [2]	**1,164**	1,285	(9)	1,268	1,277	(1)
Income analysis:						
Net interest income						
Institutional Banking	**1,406**	1,336	5	1,278	1,248	2
Markets	**159**	106	50	174	156	12
Total net interest income	**1,565**	1,442	9	1,452	1,404	3
Other banking income						
Institutional Banking	**758**	836	(9)	829	782	6
Markets	**530**	524	1	538	480	12
Total other banking income	**1,288**	1,360	(5)	1,367	1,262	8
Total banking income	**2,853**	2,802	2	2,819	2,666	6
Income by product:						
Institutional Products	**1,814**	1,770	2	1,716	1,741	(1)
Asset Leasing	**289**	309	(6)	302	238	27
Markets	**760**	664	14	712	636	12
Other	**61**	93	(34)	89	51	75
Total banking income excluding derivative valuation adjustments	**2,924**	2,836	3	2,819	2,666	6
Derivative valuation adjustments	**(71)**	(34)	large	-	-	-
Total banking income	**2,853**	2,802	2	2,819	2,666	6

	As at					
		Restated		As reported		
Balance Sheet	30 Jun 16 $M	30 Jun 15 [1] $M	Jun 16 vs Jun 15 %	30 Jun 15 $M	30 Jun 14 $M	Jun 15 vs Jun 14 %
Interest earning lending assets	**112,487**	98,223	15	98,400	87,882	12
Non-lending interest earning assets	**27,594**	28,722	(4)	49,730	43,348	15
Other assets [3]	**42,118**	38,018	11	33,789	18,270	85
Total assets	**182,199**	164,963	10	181,919	149,500	22
Transaction deposits	**41,485**	36,598	13	36,749	35,517	3
Savings deposit	**6,395**	8,113	(21)	8,070	10,624	(24)
Investment deposits	**39,587**	34,677	14	40,761	35,194	16
Certificates of deposit and other	**14,494**	12,876	13	17,920	12,495	43
Total interest bearing deposits	**101,961**	92,264	11	103,500	93,830	10
Due to other financial institutions	**15,610**	15,365	2	21,970	19,835	11
Debt issues and other [4]	**9,064**	9,501	(5)	9,588	11,076	(13)
Non-interest bearing liabilities [3]	**28,134**	26,031	8	26,996	21,741	24
Total liabilities	**154,769**	143,161	8	162,054	146,482	11

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(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

(3) Other assets include Intangible assets and Derivative assets. Non-interest bearing liabilities include Derivative liabilities. Intercompany settlement accounts that eliminate on Group consolidation have been excluded from other assets.

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

Institutional Banking and Markets

Key Financial Metrics	Full Year Ended					
		Restated		As reported		
	30 Jun 16	30 Jun 15 [1]	Jun 16 vs Jun 15 %	30 Jun 15	30 Jun 14	Jun 15 vs Jun 14 %
Performance indicators						
Return on assets (%)	**0. 7**	0. 8	(10)bpts	0. 7	0. 8	(10)bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 23**	0. 18	5 bpts	0. 18	0. 07	11 bpts
Statutory operating expenses to total banking income (%)	**37. 9**	34. 6	330 bpts	35. 9	35. 4	50 bpts
Other asset/liability information						
Average interest earning assets ($M)	**137,066**	115,097	19	140,659	127,754	10
Average interest bearing liabilities ($M)	**120,061**	104,267	15	125,611	124,820	1

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Financial Performance and Business Review

Year Ended June 2016 versus Restated June 2015

Institutional Banking and Markets' Net profit after tax ("statutory basis") for the full year ended 30 June 2016 was $1,164 million, a decrease of 9% on the prior year. The result was driven by strong balance growth, and positive sales revenue in Markets. This was more than offset by lower lending margins, unfavourable derivative valuation adjustments, higher operating expenses and increased loan impairment expense.

Net Interest Income

Net interest income was $1,565 million, an increase of 9% on the prior year. This was driven by strong sales and trading performance in Markets, and growth in lending volumes, partly offset by lower lending and leasing margins.

Average balance growth included:

- A 15% increase in average lending balances, driven by growth in the strategic focus industries of Financial Institutions and Infrastructure; and
- Average deposit balance volumes increased 5%, driven by growth in transaction and investment deposits.

Net interest margin decreased reflecting the impact of continued competitive pressure on lending margins.

Other Banking Income

Other banking income was $1,288 million, a decrease of 5% on the prior year, reflecting:

- Unfavourable derivative valuation adjustments of $71 million, compared to a $34 million unfavourable adjustment in the prior year;
- Lower lending fee income; and
- Timing of gains and losses in the structured asset finance portfolio; partly offset by
- Strong Markets performance, resulting in a $43 million increase on the prior year.

Operating Expenses

Operating expenses were $1,081 million, an increase of 11% on the prior year. Excluding the impact of the lower Australian dollar, operating expenses increased 9%.

The increase reflects investment in technology and people in targeted industry and product areas, and higher risk and compliance costs, partly offset by the ongoing realisation of productivity benefits

Loan Impairment Expense

Loan impairment expense was $252 million, an increase of $85 million on the prior year. The increase was driven by a small number of large individual provisions, a lower level of write-backs and higher collective provisions, partly offset by higher recoveries.

Loan impairment expense as a percentage of average gross loans and acceptances increased five basis points to 23 basis points

Corporate Tax Expense

The corporate tax expense was $356 million. The effective tax rate of 23.4% was largely in line with the prior year.

As reported June 2015 versus June 2014

Institutional Banking and Markets' Net profit after tax ("statutory basis") for the full year ended 30 June 2015 was $1,268 million, a decrease of 1% on the prior year. The result was driven by growth in both institutional lending and asset leasing volumes, and positive sales and trading revenues in Markets. This was offset by the implementation of a new derivative valuation methodology in the second half of the financial year, lower lending margins, increased operating expenses and a higher loan impairment expense.

Net Interest Income

Net interest income was $1,452 million, an increase of 3% on the prior year. This was driven by growth in lending volumes more than offsetting the impact of lower margins, and an increase in Markets' financing activities supporting clients' working capital needs.

Average balance growth included:

- A 10% increase in average lending balances, including a 2% benefit from the lower Australian dollar, primarily reflecting above-system domestic growth, as well as targeted international growth in strategic focus industries;
- Average asset leasing balances increased 20% with growth mainly in the transport industry; and
- Average interest bearing deposit balance growth of 2% driven by growth in transaction deposits.

Net interest margin decreased reflecting:

- Continued competitive pressure on lending margins;
- Lower amortisation of deferred fees; and
- Declining deposit margins due to a low rate environment and competition.

Other Banking Income

Other banking income was $1,367 million, an increase of 8% on the prior year, reflecting:

- A strong Markets sales and trading performance due to increased client hedging activities as a result of ongoing market volatility. This resulted in a 19% increase in income mainly for Rates and Commodities; partly offset by
- An unfavourable derivative valuation adjustment following the implementation of a new funding valuation adjustment, which resulted in an initial cost of $81 million, partly offset by a favourable counterparty valuation adjustment of $47 million.

Operating Expenses

Operating expenses were $1,013 million, an increase of 7% on the prior year. Excluding the impact of the lower Australian dollar, operating expenses increased 6%.

The increase reflects investment in technology and people in targeted industry and product areas, and higher compliance-related project costs, partly offset by the ongoing realisation of productivity benefits.

Loan Impairment Expense

Loan impairment expense was $167 million, an increase of $106 million on the prior year, following a particularly benign level of loan losses in the prior year.

This was driven by a small number of large individual provisions, an increase in overall client exposures, and a lower level of recoveries.

Corporate Tax Expense

The corporate tax expense was $371 million. The effective tax rate of 22.6% was lower than the prior year, due to higher offshore profits at lower corporate tax rates and utilisation of legacy tax losses.

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	Full Year Ended					
		Restated		As reported		
	30 Jun 16 $M	30 Jun 15 (1) $M	Jun 16 vs Jun 15 %	30 Jun 15 $M	30 Jun 14 $M	Jun 15 vs Jun 14 %
Funds management income	**1,891**	1,846	2	1,846	1,699	9
Insurance income	**502**	503	-	503	575	(13)
Total operating income	**2,393**	2,349	2	2,349	2,274	3
Operating expenses	**(1,676)**	(1,726)	(3)	(1,726)	(1,522)	13
Net profit before tax	**717**	623	15	623	752	(17)
Corporate tax expense	**(185)**	(148)	25	(148)	(182)	(19)
Underlying profit after tax	**532**	475	12	475	570	(17)
Investment experience after tax	**85**	178	(52)	175	118	48
Cash net profit after tax	**617**	653	(6)	650	688	(6)
Other non-cash items	**-**	-	-	-	101	large
Statutory net profit after tax	**617**	653	(6)	650	789	(18)
Treasury shares valuation adjustment (after tax)	**4**	(28)	large	(28)	(41)	(32)
Gain on sale of management rights	**-**	-	-	-	17	large
Net profit after tax ("statutory basis") (2)	**621**	625	(1)	622	765	(19)
Represented by:						
CFS Global Asset Management	**227**	287	(21)	286	238	20
Colonial First State (3)	**230**	94	large	92	184	(50)
CommInsure	**274**	316	(13)	316	374	(16)
Property (4)	**-**	-	-	-	101	large
Other	**(110)**	(72)	53	(72)	(132)	(45)
Net profit after tax ("statutory basis") (2)	**621**	625	(1)	622	765	(19)

	Full Year Ended					
		Restated		As reported		
Key Financial Metrics (5)	30 Jun 16	30 Jun 15 (1)	Jun 16 vs Jun 15 %	30 Jun 15	30 Jun 14	Jun 15 vs Jun 14 %
Performance indicators						
Statutory operating expenses to net operating income (%)	**65. 7**	66. 4	(70)bpts	66. 5	59. 3	large
FUA - average ($M) (5)	**132,632**	128,880	3	273,800	241,405	13
FUA - spot ($M) (5)	**134,248**	131,903	2	283,644	253,483	12
AUM - average ($M) (6)	**197,569**	195,406	1	195,406	173,417	13
AUM- spot ($M) (6)	**199,735**	202,168	(1)	202,168	180,848	12
Annual Inforce Premiums - average ($M)	**2,474**	2,388	4	2,388	2,237	7
Annual Inforce Premiums - spot ($M)	**2,508**	2,467	2	2,467	2,309	7

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(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

(3) Colonial First State incorporates the results of all financial planning businesses including Commonwealth Financial Planning.

(4) The Property Transactions were completed during the 30 June 2014 financial year.

(5) During the period, the Group amended its approach to determine FUA to align with market convention. Refer to Appendix C. Comparative figures for the 2014 financial year have not been disclosed.

(6) AUM includes Realindex Investments and excludes the Group's interest in the First State Cinda Fund management Company Limited.

Wealth Management

	Full Year Ended											
	CFS Global Asset Management						Colonial First State (1)					
		Restated		As reported				Restated		As reported		
	Jun 16 $M	Jun 15 (2) $M	Jun 16 vs Jun 15 %	Jun 15 $M	Jun 14 $M	Jun 15 vs Jun 14 %	Jun 16 $M	Jun 15 (2) $M	Jun 16 vs Jun 15 %	Jun 15 $M	Jun 14 $M	Jun 15 vs Jun 14 %
Funds Management income	**842**	847	(1)	847	739	15	**929**	866	7	866	828	5
Insurance Income	**-**	-	-	-	-	-	**-**	-	-	-	-	-
Total operating Income	**842**	847	(1)	847	739	15	**929**	866	7	866	828	5
Operating expenses	**(567)**	(526)	8	(526)	(468)	12	**(609)**	(735)	(17)	(735)	(590)	25
Net profit before tax	**275**	321	(14)	321	271	18	**320**	131	large	131	238	(45)
Corporate tax expense	**(51)**	(61)	(16)	(61)	(42)	45	**(99)**	(39)	large	(39)	(68)	(43)
Underlying profit after tax	**224**	260	(14)	260	229	14	**221**	92	large	92	170	(46)
Investment experience after tax	**3**	27	(89)	26	9	large	**9**	2	large	-	14	large
Cash net profit after tax	**227**	287	(21)	286	238	20	**230**	94	large	92	184	(50)
Treasury shares valuation adjustment (after tax)	**-**	-	-		-	-	**-**	-	-	-	-	-
Count Financial Limited acquisition costs (after tax)	**-**	-	-		-	-	**-**	-	-	-	-	-
Net profit after tax ("statutory basis") (3)	**227**	287	(21)	286	238	20	**230**	94	large	92	184	(50)

	Full Year Ended									
	CommInsure					Other				
	Jun 16 $M	Jun 15 $M	Jun 16 vs Jun 15 %	Jun 14 $M	Jun 15 vs Jun 14 %	Jun 16 $M	Jun 15 (2) $M	Jun 16 vs Jun 15 %	Jun 14 $M	Jun 15 vs Jun 14 %
Funds Management income	**120**	133	(10)	132	1	**-**	-	-	-	-
Insurance Income	**502**	503	-	575	(13)	**-**	-	-	-	-
Total operating Income	**622**	636	(2)	707	(10)	**-**	-	-	-	-
Operating expenses	**(339)**	(319)	6	(314)	2	**(161)**	(146)	10	(150)	(3)
Net profit before tax	**283**	317	(11)	393	(19)	**(161)**	(146)	10	(150)	(3)
Corporate tax expense	**(80)**	(91)	(12)	(111)	(18)	**45**	43	5	39	10
Underlying profit after tax	**203**	226	(10)	282	(20)	**(116)**	(103)	13	(111)	(7)
Investment experience after tax	**71**	90	(21)	92	(2)	**2**	59	(97)	3	large
Net profit after tax ("cash basis")	**274**	316	(13)	374	(16)	**(114)**	(44)	large	(108)	(59)
Treasury shares valuation adjustment (after tax)	**-**	-	-	-	-	**-**	(28)	large	(41)	(32)
Sale of management rights (after rights)	**-**	-	-	-	-	**-**	-	-	17	large
Net profit after tax ("statutory basis") (3)	**274**	316	(13)	374	(16)	**(114)**	(72)	58	(132)	(45)

(1) Colonial First State incorporates the results of all financial planning businesses including Commonwealth Financial Planning.

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(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

Financial Performance and Business Review

Year Ended June 2016 versus Restated June 2015

Wealth Management's Net profit after tax ("statutory basis") for the full year ended 30 June 2016 was $621 million, a decrease of 1% on the prior year. The result was driven by growth in funds management income and lower operating expenses, offset by lower investment experience. Insurance income was flat reflecting strong growth in general insurance income offset by a significantly lower life insurance result.

The Open Advice Review program closed for registrations on 3 July 2016 and as of 30 June 2016 over 8,600 completed registration forms had been received. For additional information on the Open Advice Review program and licensee conditions, see Note 19 to the 2016 Financial Report.

Funds Management Income

Funds management income was $1,891 million, an increase of 2% on the prior year.

Average AUM increased 1% to $198 billion, reflecting positive investment performance, with 78% of Colonial First State Global Asset Management assets outperforming their three year benchmark, in a volatile environment. Weaker investor sentiment and global market volatility contributed to higher net outflows in emerging markets, however the unlisted infrastructure business grew through the acquisition of a number of new investments following the drawdown of commitments. The AUM margin remained stable over the year despite the challenging environment, supported by a strong contribution from the infrastructure business.

Average FUA increased 3% to $133 billion. The FirstChoice and Custom Solutions platforms experienced continued growth in average FUA of 4% and 10% respectively, reflecting positive net flows and positive investment market returns. FUA margin improved as a result of reduced provisioning for Advice customer remediation costs, partly offset by the continued run-off in the legacy component of the investment business.

Insurance Income

Insurance income was $502 million, flat on the prior year. Wholesale life insurance income increased reflecting continued benefits from the repricing activity in the prior year, partly offset by higher claims.

General insurance income experienced strong growth as a result of significantly lower weather events and a 6% increase in inforce premiums due to higher renewals, partly offset by lower new business sales.

Retail life income decreased due to higher claims and lower sales partly offset by an improvement in lapses. In addition an increase in income protection claims reserves resulted in loss recognition.

Operating Expenses

Operating expenses were $1,676 million, a decrease of 3% on the prior year. This was mainly driven by lower compliance and remediation program costs and benefits from productivity initiatives, partly offset by the impact of the lower Australian dollar, higher staff costs, and continued investment in business growth and regulatory change projects.

Investment Experience

Investment experience after tax decreased 52%, driven by non-recurrence of benefits from divestments and investment revaluation gains in the prior year, partly offset by changes to economic assumptions.

As reported June 2015 versus June 2014

Wealth Management's Net profit after tax ("statutory basis") for the full year ended 30 June 2015 was $622 million, a decrease of 19% on the prior year. Strong growth in Funds management income was offset by the impact of further provisioning for customer remediation (as part of the Open Advice Review program) and lower insurance income due to a number of weather events. Expense growth reflected investment in technology, higher staff costs and the cost of regulatory, compliance and remediation programs, partly offset by continued benefits from productivity initiatives. Investment experience grew strongly as a result of divestment and revaluation gains, and falling bond yields contributed to favourable fixed interest returns.

The Group has provided for the licensee conditions imposed on Commonwealth Financial Planning Limited ("CFPL") and Financial Wisdom Limited ("FWL"), and separately announced during the prior year an Open Advice Review program for customers of CFPL and FWL who received financial advice between 1 September 2003 and 1 July 2012.

The Open Advice Review program closed for expressions of interest on 3 July 2015. Total expressions of interest and completed registration forms received were over 23,000 and 7,000, respectively. For additional information on the Open Advice Review program and licensee conditions, see Note 19 to the 2015 Financial Report.

Funds Management Income

Funds management income was $1,846 million, an increase of 9% on the prior year.

Average AUM increased 13% to $195 billion, driven by a strong performance in investment markets and the benefit of a lower Australian dollar, with 90% of assets outperforming their three year benchmark. Net flows benefited from continued momentum in the infrastructure business and emerging markets equities, with flows significantly higher than the prior year.

Australian Retail Average FUA increased 12% to $114 billion with Custom Solutions platforms continuing strong growth, with average FUA reaching $20 billion for the first time, a 20% increase on the prior year.

Funds management margins declined three basis points due to lower Advice revenue, continued run-off in the legacy investment business, and the impact of provisioning for customer remediation (as part of the Open Advice Review program).

Insurance Income

Insurance income was $503 million, a 13% decrease on the prior year.

Wholesale Life Insurance income increased strongly on the prior year as a result of repricing, and reduced reserve strengthening. Retail Life Insurance income decreased 3% on the prior year, impacted by poorer claims experience and lower sales, partly offset by an improvement in lapse rates.

General Insurance income was significantly lower than the prior year, primarily due to inforce premiums, which were up 5% driven by a significant improvement in renewals. This was offset by the impact of a number of weather events during the year in New South Wales and Queensland.

Operating Expenses

Operating expenses were $1,726 million, an increase of 13% on the prior year, driven by a number of factors including investment in technology-related initiatives, increased provisioning for regulatory, compliance and remediation program costs, higher salary-related costs, and a lower Australian dollar.

The business also benefited from a range of productivity initiatives that streamlined processes throughout Wealth Management with deployments being run across operations and distribution channels.

Investment Experience

Investment experience includes the return on invested shareholder capital. Investment experience after tax increased $57 million driven by the gain on sale of the remaining units in the Novion Property Group (formerly CFX), investment revaluation gains on infrastructure holdings, higher fixed interest returns as a result of falling bond yields and changes to economic assumptions.

Assets Under Management (AUM) (1) (2)	30 June 15 $M	Inflows $M	Outflows $M	Net Flows $M	Other (3) $M	30 June 16 $M	31 Dec 15 $M	Jun 16 vs Jun 15 %	Jun 16 vs Dec 15 %
	Full Year Ended								
Australian equities	28,451	3,937	(5,385)	(1,448)	237	**27,240**	27,965	(4)	(3)
Global equities	95,109	24,179	(27,379)	(3,200)	(1,009)	**90,900**	89,755	(4)	1
Fixed income (4)	73,138	54,654	(56,743)	(2,089)	3,621	**74,670**	71,680	2	4
Infrastructure	5,470	1,044	(267)	777	678	**6,925**	5,848	27	18
Total	202,168	83,814	(89,774)	(5,960)	3,527	**199,735**	195,248	(1)	2

Funds Under Administration (FUA) (1)	30 June 15 $M	Inflows $M	Outflows $M	Net Flows $M	Other (3) $M	30 June 16 $M	31 Dec 15 $M	Jun 16 vs Jun 15 %	Jun 16 vs Dec 15 %
	Full Year Ended								
FirstChoice	73,582	14,186	(13,443)	743	1,369	**75,694**	74,874	3	1
Custom Solutions (5)	21,303	6,250	(4,580)	1,670	(83)	**22,890**	22,276	7	3
CFS Non-Platform	15,920	8,006	(8,263)	(257)	(609)	**15,054**	16,029	(5)	(6)
CommInsure Investments	13,108	472	(1,529)	(1,057)	221	**12,272**	12,580	(6)	(2)
Other	7,990	621	(437)	184	164	**8,338**	8,127	4	3
Total	131,903	29,535	(28,252)	1,283	1,062	**134,248**	133,886	2	-

Insurance Inforce (1)	30 Jun 15 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	30 Jun 16 $M	31 Dec 15 $M	Jun 16 vs Jun 15 %	Jun 16 vs Dec 15 %
	Full Year Ended								
Life Insurance	1,774	242	(243)	(1)	-	**1,773**	1,766	-	-
General Insurance	693	148	(106)	42	-	**735**	706	6	4
Total	2,467	390	(349)	41	-	**2,508**	2,472	2	1

(1) Comparative information has been restated to conform to presentation in the current period.
(2) AUM includes Realindex Investments and excludes the Group's interest in the First State Cinda Fund Management Company Limited.
(3) Other includes investment income and foreign exchange gains and losses from translation of internationally sourced business.
(4) Fixed income include short-term investments and global credit.
(5) Custom Solutions include FirstWrap product.

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	Full Year Ended					
		Restated		As reported		
	30-Jun-16 A$M	30 Jun 15 (1) A$M	Jun 16 vs Jun 15 %	30 Jun 15 A$M	30 Jun 14 A$M	Jun 15 vs Jun 14 %
Net interest income	**1,575**	1,533	3	1,536	1,378	11
Other banking income (2)	**288**	280	3	253	192	32
Total banking income	**1,863**	1,813	3	1,789	1,570	14
Funds management income	**80**	71	13	71	60	18
Insurance income	**242**	232	4	232	202	15
Total operating income	**2,185**	2,116	3	2,092	1,832	14
Operating expenses	**(889)**	(861)	3	(861)	(805)	7
Loan impairment expense	**(120)**	(83)	45	(83)	(51)	63
Net profit before tax	**1,176**	1,172	-	1,148	976	18
Corporate tax expense	**(309)**	(296)	4	(289)	(237)	22
Underlying profit after tax	**867**	876	(1)	859	739	16
Investment experience after tax	**10**	6	67	6	3	large
Net profit after tax ("cash basis")	**877**	882	(1)	865	742	17
Hedging and IFRS volatility (after tax)	**(139)**	43	large	43	10	large
Net profit after tax ("statutory basis") (3) (6)	**738**	925	(20)	908	752	21

	Full Year Ended					
		Restated		As reported		
	30-Jun-16 NZ$M	30 Jun 15 (1) NZ$M	Jun 16 vs Jun 15 %	30 Jun 15 NZ$M	30 Jun 14 NZ$M	Jun 15 vs Jun 14 %
Net interest income	**1,711**	1,649	4	1,652	1,517	9
Other banking income (2)	**346**	337	3	308	307	-
Total banking income	**2,057**	1,986	4	1,960	1,824	7
Funds management income	**87**	77	13	77	67	15
Insurance income	**264**	250	6	250	222	13
Total operating income	**2,408**	2,313	4	2,287	2,113	8
Operating expenses	**(964)**	(929)	4	(929)	(888)	5
Loan impairment expense	**(130)**	(89)	46	(89)	(56)	59
Net profit before tax	**1,314**	1,295	1	1,269	1,169	9
Corporate tax expense	**(347)**	(325)	7	(317)	(289)	10
Underlying profit after tax	**967**	970	-	952	880	8
Investment experience after tax	**11**	7	57	7	4	75
Net profit after tax ("cash basis")	**978**	977	-	959	884	8
Hedging and IFRS volatility (after tax)	**(11)**	(31)	(65)	(23)	3	large
Net profit after tax ("statutory basis") (3) (6)	**967**	946	2	936	887	6
Represented by :						
ASB	**897**	833	8	823	779	6
Sovereign	**105**	123	(15)	123	103	19
Other (4)	**(35)**	(10)	large	(10)	5	large
Net profit after tax ("statutory basis") (3) (6)	**967**	946	2	936	887	6

	Full Year Ended					
		Restated		As reported		
Key Financial Metrics	30 Jun 16	30 Jun 15	Jun 16 vs Jun 15 %	30 Jun 15	30 Jun 14	Jun 15 vs Jun 14 %
FUA - average (NZ$M) (5)	**11,632**	10,291	13	10,291	8,583	20
FUA - spot (NZ$M) (5)	**12,063**	11,117	9	11,117	9,318	19
Statutory operating expenses to total operating income (%)	**38. 5**	39. 4	(90)bpts	40. 3	42. 8	(250)bpts

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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 hedge of the New Zealand operations.

(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

(4) Other includes ASB and Sovereign funding entities and elimination entries between Sovereign and ASB and foreign currency impacts on allocated capital charges.

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

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

New Zealand

Financial Performance and Business Review

Year Ended June 2016 versus Restated June 2015

New Zealand(1) Net profit after tax(2) ("statutory basis") for the full year ended 30 June 2016 was NZ$967 million, an increase of 2% on the prior year, driven by a strong performance from both ASB Bank and Sovereign Assurance Company (Sovereign).

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

As reported June 2015 versus June 2014

New Zealand(1) Net profit after tax(2) ("statutory basis") for the full year ended 30 June 2015 was NZ$936 million, an increase of 6% on the prior year, driven by a strong performance from both ASB Bank and Sovereign.

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

(1) The New Zealand result incorporates ASB Bank and Sovereign Insurance businesses. The CBA 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.

ASB Bank	Full Year Ended 30 Jun 16 NZ$M	Restated 30 Jun 15 (1) NZ$M	Jun 16 vs Jun 15 %	As reported 30 Jun 15 NZ$M	30 Jun 14 NZ$M	Jun 15 vs Jun 14 %
Net interest income	**1,755**	1,650	6	1,652	1,498	10
Other banking income	**383**	370	4	341	337	1
Total banking income	**2,138**	2,020	6	1,993	1,835	9
Funds management income	**85**	74	15	74	64	16
Total operating income	**2,223**	2,094	6	2,067	1,899	9
Operating expenses	**(829)**	(805)	3	(805)	(769)	5
Loan impairment expense	**(130)**	(89)	46	(89)	(56)	59
Net profit before tax	**1,264**	1,200	5	1,173	1,074	9
Corporate tax expense	**(356)**	(336)	6	(327)	(298)	10
Net profit after tax ("cash basis")	**908**	864	5	846	776	9
Hedging and IFRS volatility (after tax)	**(11)**	(31)	(65)	(23)	3	large
Net profit after tax ("statutory basis") (2)	**897**	833	8	823	779	6

Balance Sheet	As at 30 Jun 16 NZ$M	30 Jun 15 NZ$M	Jun 16 vs Jun 15 %	30 Jun 14 NZ$M	Jun 14 vs Jun 13 %
Home loans	**47,784**	43,737	9	41,581	5
Business and rural lending	**22,588**	20,019	13	17,556	14
Other interest earning assets	**1,951**	1,809	8	1,641	10
Total lending interest earning assets	**72,323**	65,565	10	60,778	8
Non-lending interest earning assets	**7,130**	7,297	(2)	5,599	30
Other assets	**2,106**	2,993	(30)	1,918	56
Total assets	**81,559**	75,855	8	68,295	11
Customer deposits	**49,811**	46,751	7	40,152	16
Debt issues	**13,431**	11,076	21	9,612	15
Other interest bearing liabilities (3)	**3,972**	4,198	(5)	7,302	(43)
Total interest bearing liabilities	**67,214**	62,025	8	57,066	9
Non-interest bearing liabilities	**6,192**	6,013	3	4,246	42
Total liabilities	**73,406**	68,038	8	61,312	11

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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 8 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 26 to the 2016 Financial Report.

(3) Includes NZ$119 million due to Group companies (30 June 2015: NZ$1,394 million).

New Zealand

Key Financial Metrics [(2)]	30 Jun 16	Restated 30 Jun 15 [(1)]	Jun 16 vs Jun 15 %	As reported 30 Jun 15	As reported 30 Jun 14	Jun 15 vs Jun 14 %
Performance indicators						
Return on assets (%)	**1. 2**	1. 2	-	1. 2	1. 1	10 bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 19**	0. 14	5 bpts	0. 14	0. 09	5 bpts
Statutory operating expenses to total operating income (%)	**37. 5**	39. 0	(150)bpts	39. 5	42. 8	(330)bpts
Other asset/liability information						
Average interest earning assets	**75,554**	69,380	9	69,380	65,796	5
Average interest bearing liabilities	**64,563**	59,308	9	59,308	56,202	6

Full Year Ended

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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.

Financial Performance and Business Review

ASB Bank: Year Ended June 2016 versus Restated June 2015

ASB Bank's Net profit after tax ("statutory basis") for the full year ended 30 June 2016 was NZ$897 million, an increase of 8% on the prior year. The result was driven by operating income growth of 6% resulting from strong lending and deposit growth, partly offset by margin compression across key products, higher operating expenses and increased loan impairment expense.

Net Interest Income

Net interest income was NZ$1,755 million, an increase of 6% on the prior year. Strong volume growth was partly offset by continued margin pressure across key portfolios.

Balance Sheet growth included:

- Home loan growth of 9%, with continued customer preference for fixed rate borrowing;
- Business and rural loan growth of 13%, which remained above system following continued investment in this business; and
- Growth in customer deposits of 7%, with strong demand in the retail deposit portfolio.

Net interest margin decreased, reflecting continued competitive pressure on lending and deposit margins and a customer preference for lower margin fixed rate borrowing.

Other Banking and Funds Management Income

Other banking income was NZ$383 million, an increase of 4% on the prior year, driven by higher markets income, lending and service fees, and insurance and brokerage commissions, partly offset by lower card fees.

Funds management income was NZ$85 million, an increase of 15% on the prior year, due to strong net flows and a solid performance in investment markets.

Operating Expenses

Operating expenses were NZ$829 million, an increase of 3% on the prior year. This increase was driven by higher staff costs and continued investment in frontline capability, higher marketing costs and ongoing investment in technology.

The operating expenses to total operating income ratio for ASB was 37.5%, a decrease of 150 basis points, reflecting continued focus on productivity.

Loan Impairment Expense

Loan impairment expense was NZ$130 million, an increase of NZ$41 million on the prior year, primarily due to an increase in rural lending provisioning within the dairy sector, and higher unsecured retail provisioning. This was partly offset by improved home loan arrears.

ASB Bank: As reported June 2015 versus June 2014

ASB Bank's Net profit after tax ("statutory basis") for the full year ended 30 June 2015 was NZ$823 million, an increase of 6% on the prior year. Operating income growth of 9% was driven by favourable funding conditions and strong business and rural lending growth, partly offset by home loan margin compression, and increased operating expenses and loan impairment expense.

Net Interest Income

Net interest income was NZ$1,652 million, an increase of 10% on the prior year, with improved retail deposit margins and strong volume growth in key portfolios.

Balance Sheet growth included:

- Home loan growth of 5%, with continued customer preference for fixed rate lending;
- Business and rural loan growth of 14%, delivering above system growth due to continued investment in these business; and
- Growth in customer deposits of 16% driven by strong demand across the retail deposit portfolio.

Net interest margin increased, reflecting improved deposit margins, partly offset by a reduction in lending margins in a highly competitive environment and the continued customer preference for lower margin fixed rate mortgages.

Other Banking and Funds Management Income

Other banking income was NZ$341 million, an increase of 1% on the prior year, due to higher lending fee income principally as a result of business lending growth, and higher fixed rate loan prepayment fees. This was partly offset by the higher cost of hedging foreign currency deposits and lower service fees.

Funds management income was NZ$74 million, an increase of 16% on the prior year, resulting from strong FUA and AUM.

Operating Expenses

Operating expenses were NZ$805 million, an increase of 5% on the prior year. This increase was driven by higher staff expenses due to inflationary-related salary increases and continued investment in frontline capability, ongoing technology investment and higher operational losses and professional fees.

The expense to income ratio for ASB Bank was 39.5%, an improvement of 330 basis points, reflecting a continued focus on productivity across the Bank.

Loan Impairment Expense

Loan impairment expense was NZ$89 million, an increase of 59% on the prior year, primarily due to higher unsecured retail provisioning as the portfolio seasoned as expected throughout the year, an increase in rural lending provisioning, and stabilising home loan impairment expense.

New Zealand

Sovereign	30 Jun 16 NZ$M	30 Jun 15 NZ$M	Jun 16 vs Jun 15 %	30 Jun 14 NZ$M	Jun 15 vs Jun 14 %
	Full Year Ended				
Insurance income	**230**	225	2	201	12
Operating expenses	**(135)**	(124)	9	(119)	4
Net profit before tax	**95**	101	(6)	82	23
Corporate tax benefit	**(5)**	5	large	10	(50)
Underlying profit after tax	**90**	106	(15)	92	15
Investment experience after tax	**15**	17	(12)	11	55
Net profit after tax ("cash basis")	**105**	123	(15)	103	19
Net profit after tax ("statutory basis") (1)	**105**	123	(15)	103	19
Sources of profit represented by:					
Represented by:					
Planned profit margins	**93**	87	7	84	4
Experience variations	**(3)**	19	large	8	large
Operating margins	**90**	106	(15)	92	15
Investment experience after tax	**15**	17	(12)	11	55
Net profit after tax ("statutory basis") (1)	**105**	123	(15)	103	19

Key Financial Metrics	30 Jun 16	30 Jun 15	Jun 16 vs Jun 15 %	30 Jun 14	Jun 15 vs Jun 14 %
	Full Year Ended				
Performance indicators					
Statutory insurance income to average inforce premiums (%)	**31. 4**	31. 9	(50)bpts	40. 2	large
Average inforce premiums - average (NZ$M)	**732**	705	4	669	5
Annual inforce premiums - spot (NZ$M)	**744**	721	3	n/a	-

Insurance Inforce (1)	30 Jun 15 $M	Sales $M	Lapses $M	Net Flows $M	Other $M	30 Jun 16 $M	Jun 15 vs Jun 16 %
	Full Year Ended						
Life Insurance	721	113	(83)	30	(7)	**744**	3
Total	721	113	(83)	30	(7)	**744**	3

(1) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

Financial Performance and Business Review

Year Ended June 2016 versus Restated June 2015

Sovereign Net profit after tax ("statutory basis") for the full year ended 30 June 2016 was NZ$105 million, a decrease of 15% on the prior year. The increase was driven by favourable claims and investment experience, with the higher investment experience primarily driven by a decrease in New Zealand Government bond rates.

Insurance Income

Insurance income was NZ$230 million, an increase of 2% on the prior year, due to annual inforce premium growth and reduced policy liability expense following the expiry of transitional tax relief, partly offset by unfavourable claims experience.

Operating Expenses

Operating expenses were NZ$135 million, an increase of 9% on the prior year, driven by expenditure on technology and higher staff costs, partly offset by benefits from productivity initiatives.

As reported June 2015 versus June 2014

Sovereign Net profit after tax ("statutory basis") for the full year ended 30 June 2015 was NZ$123 million, an increase of 19% on the prior year.

Insurance Income

Insurance income was NZ$225 million, an increase of 12% on the prior year, with growth in annual inforce premium income of 5% and positive claims experience. Sovereign risk and health lapse rate continued to be amongst the best in the industry.

Operating Expenses

Operating expenses were NZ$124 million, an increase of 4% on the prior year, driven by restructuring, consulting and rebranding expenses.

	As at					
		Restated		As reported		
	30 Jun 16 $M	30 Jun 15 (1) $M	Jun 16 vs Jun 15 %	30 Jun 15 $M	30 Jun 14 $M	Jun 15 vs Jun 14 %
Net interest income	**1,638**	1,658	(1)	1,594	1,577	1
Other banking income	**217**	216	-	217	206	5
Total banking income	**1,855**	1,874	(1)	1,811	1,783	2
Operating expenses	**(773)**	(787)	(2)	(785)	(806)	(3)
Loan impairment expense	**10**	50	(80)	50	(11)	large
Net profit before tax	**1,092**	1,137	(4)	1,076	966	11
Corporate tax expense	**(329)**	(342)	(4)	(324)	(291)	11
Cash net profit after tax	**763**	795	(4)	752	675	11
Other non-cash items	**(27)**	(52)	(48)	(52)	(56)	(7)
Net profit after tax ("statutory basis") (2)	**736**	743	(1)	700	619	13

	As at					
		Restated		As reported		
Balance Sheet	30 Jun 16 $M	30 Jun 15 (1) $M	Jun 16 vs Jun 15 %	30 Jun 15 $M	30 Jun 14 $M	Jun 15 vs Jun 14 %
Home loans	**64,412**	61,472	5	61,472	58,251	6
Other interest earning assets	**18,184**	17,748	2	17,398	18,112	(4)
Non-lending interest earning assets	**-**	-	-	2	11	(82)
Total interest earning assets	**82,596**	79,220	4	78,872	76,374	3
Other assets	**284**	269	6	269	421	(36)
Total assets	**82,880**	79,489	4	79,141	76,795	3
Transaction deposits	**12,155**	10,009	21	11,238	9,037	24
Savings deposits	**10,569**	10,882	(3)	10,882	10,463	4
Investment deposits	**26,152**	26,473	(1)	26,473	25,052	6
Certificates of deposit and other	**37**	42	(12)	42	40	5
Total interest bearing deposits	**48,913**	47,406	3	48,635	44,592	9
Other interest bearing liabilities	**66**	57	16	57	103	(45)
Non-interest bearing transaction deposits	**1,565**	1,402	12	807	976	(17)
Other non-interest bearing liabilities	**556**	634	(12)	-	-	-
Total liabilities	**51,100**	49,499	3	49,499	45,671	8

	As at					
		Restated		As reported		
Key Financial Metrics	30 Jun 16 $M	30 Jun 15 (1) $M	Jun 16 vs Jun 15 %	30 Jun 15 $M	30 Jun 14 $M	Jun 15 vs Jun 14 %
Performance indicators						
Return on assets (%)	**0. 9**	1. 0	(10)bpts	1. 0	0. 9	10 bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**(0. 01)**	(0. 06)	5 bpts	(0. 06)	0. 01	(7)bpts
Statutory operating expenses to total banking income (%)	**43. 8**	46. 0	(220)bpts	47. 5	49.5	(200)bpts
Other asset/liability information						
Average interest earning assets ($M)	**80,329**	77,611	4	77,257	74,568	4
Average interest bearing liabilities ($M)	**48,849**	45,540	7	46,615	42,608	9

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(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

Financial Performance and Business Review

Year Ended June 2016 versus Restated June 2015

Bankwest Net profit after tax ("statutory basis") for the full year ended 30 June 2016 was $736 million, a decrease of 1% on the prior year. The result was driven by a reduction in loan impairment benefit and lower total banking income, partly offset by lower operating expenses.

Net Interest Income

Net interest income was $1,638 million, a decrease of 1% on the prior year, reflecting lower margins partly offset by solid volume growth in home lending, core business lending and transaction deposits.

Balance Sheet growth included:

- Home loan growth of 5%, reflecting lower system growth in Western Australia and tightening of lending criteria;
- Core business lending growth of 6%; and
- Growth of 20% in total transaction deposits due to strengthened customer relationships, particularly in retail products; partly offset by
- A 3% decrease in savings deposits, reflecting impacts from repricing;
- A decrease of 1% in investment deposits; and
- A decrease in higher risk, non-core business lending.

Net interest margin decreased, reflecting competitive pressures on lending margins and higher funding costs. This was partly offset by repricing of savings products and home lending products.

Other Banking Income

Other banking income was $217 million, flat on the prior year.

Operating Expenses

Operating expenses were $773 million, a decrease of 2% on the prior year, reflecting a continued focus on productivity and disciplined expense management, partly offset by higher staff costs. The expense to income ratio was 43.8%, an improvement of 220 basis points compared to the prior year.

Loan Impairment Expense

Loan impairment was a benefit of $10 million compared to $50 million benefit in the prior year. This was primarily driven by slower run-off of the troublesome and impaired book.

As reported June 2015 versus June 2014

Bankwest Net profit after tax ("statutory basis") for the full year ended 30 June 2015 was $700 million, an increase of 13% on the prior year. The result was driven by a 2% increase in total banking income, a 3% reduction in operating expenses, and substantially lower loan impairment expense.

Net Interest Income

Net interest income was $1,594 million, an increase of 1% on the prior year, reflecting volume growth in home lending, core business lending and customer deposits, offset by lower margins.

Balance Sheet movements included:

- Home loan growth of 6% achieved through a focus on priority customer segments within a competitive market;
- Modest growth in core business lending;
- An increase of 24% in transaction deposits due to strengthened customer relationships, particularly in retail products;
- Growth of 4% in savings deposits, reflecting continued online customer growth; and
- A 6% increase in investment deposit balances; partly offset by
- A decrease in higher risk, non-core business lending.

Net interest margin decreased, reflecting lower lending margins, due to increased competition, a change in product mix, and lower deposit margin impacted by the lower cash rate.

Other Banking Income

Other banking income was $217 million, an increase of 5% on the prior year, due to increased retail lending income, partly offset by lower business lending fees.

Operating Expenses

Operating expenses were $785 million, a decrease of 3% on the prior year, reflecting a continued focus on productivity and disciplined expense management. The expense to income ratio of 47.5% decreased 200 basis points compared to the prior year.

Loan Impairment Expense

Loan impairment expense decreased $61 million on the prior year, due to reduced levels and write-backs of individual provisions, partly offset by the slower run-off of the troublesome and impaired book.

	Full Year Ended					
		Restated		As reported		
	30 Jun 16	30 Jun 15 [1]	Jun 16 vs	30 Jun 15	30 Jun 14	Jun 15 vs
	$M	$M	Jun 15 %	$M	$M	Jun 14 %
IFS	**45**	104	(57)	104	81	28
Corporate Centre	**(200)**	(257)	(22)	20	69	(71)
Eliminations/Unallocated	**181**	186	(3)	152	73	large
Net profit after tax ("cash basis")	**26**	33	(21)	276	223	24
Hedging and IFRS volatility (after tax)	**(61)**	(37)	65	(37)	(4)	large
Other (after tax)	**-**	-	-	-	-	-
Net profit after tax ("statutory basis") [2]	**(35)**	(4)	large	239	219	9

IFS [3]	Full Year Ended				
	30 Jun 16	30 Jun 15	Jun 16 vs	30 Jun 14	Jun 15 vs
	$M	$M	Jun 15 %	$M	Jun 14 %
Net interest income	**147**	137	7	116	18
Other banking income	**281**	241	17	173	39
Total banking income	**428**	378	13	289	31
Insurance income	**46**	42	10	36	17
Total operating income	**474**	420	13	325	29
Operating expenses	**(382)**	(274)	39	(215)	27
Loan impairment expense	**(66)**	(25)	large	(7)	large
Net profit before tax	**26**	121	(79)	103	17
Corporate tax expense	**(2)**	(21)	(90)	(22)	(5)
Non-controlling interests	**(4)**	(4)	-	(5)	(20)
Underlying profit after tax	**20**	96	(79)	76	26
Investment experience after tax	**25**	8	large	5	60
Net profit after tax ("cash basis")	**45**	104	(57)	81	28
Net profit after tax ("statutory basis") [2]	**45**	104	(57)	81	28

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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 8 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 26 to the 2016 Financial Report.

(3) International Financial Services (IFS) incorporates the Asian retail and business banking operations (Indonesia, China, Vietnam, and India), associate investments in two Chinese and one Vietnamese bank, and a 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.

Financial Performance and Business Review

IFS: Year Ended June 2016 versus Restated June 2015

IFS Net profit after tax ("statutory basis") for the full year ended 30 June 2016 was $45 million, a decrease of 57% on prior year, including an 10% benefit from the lower Australian dollar. The economic slowdown experienced in China, Indonesia and other emerging markets continued to adversely impact business volume growth, and resulted in higher loan impairment expense. A strategic shift away from the commercial segment has resulted in a reduction in commercial lending balances by 53%.

The business has continued to invest in its digital banking capability and talent.

The total number of direct customers grew 7% to over 497,000.

Net Interest Income

Net interest income was $147 million, an increase of 7% on the prior year, including a 6% benefit from the lower Australian dollar. This reflected strong consumer lending and deposit growth in the China County Banks of 25% and 45% respectively, and stable consumer lending balances in PT Bank Commonwealth ("PTBC"). Commercial lending balances in PTBC have decreased by 62% due to the wind-down of the non-strategic commercial segment.

Net interest margin remained stable despite competitive pressure and a reduction in the cash rates.

Other Banking Income

Other banking income was $281 million, an increase of 17% on the prior year, including a 9% benefit from the lower Australian dollar. This reflected strong contributions from associates in China due to above system asset growth, partly offset by lower sales of wealth management products in PTBC.

Insurance Income

Insurance income in PT Commonwealth Life ("PTCL") was $46 million, a 10% increase on prior year. The result was driven by higher renewal premiums, partly offset by lower first year premiums and investment return.

Operating Expenses

Operating expenses were $382 million, an increase of 39% on prior year, including a 7% increase from the lower Australian dollar. This reflected increased investment in the proprietary business in Indonesia and China, digital banking in South Africa, and people capability across the portfolio.

Loan Impairment Expense

Loan impairment expense was $66 million, an increase of $41 million on prior year, driven by an increase in commercial loan impairments in PTBC.

IFS: As reported June 2015 versus June 2014

IFS Net profit after tax ("statutory basis") for the full year ended 30 June 2015 was $104 million, an increase of 28% on prior year, including an 18% benefit from the lower Australian dollar. Excluding the $50 million provision for impairment of the investment in VIB in prior year, Net profit after tax ("cash basis") decreased 21%. The result was driven by higher operating expenses from business expansion, core banking platform investment and higher loan impairment expense, partly offset by solid operating income.

In January 2015, IFS acquired new capability through the acquisition of Take Your Money Everywhere ("TYME"), a South African based financial services technology company. TYME designs, builds and operates digital banking ecosystems that serve customers in emerging markets.

The expansion in Asia continued with the total number of direct customers growing 12% to over 463,000. The IFS management team relocated to Hong Kong in the third quarter of the year.

Net Interest Income

Net interest income was $137 million, an increase of 18% on the prior year, including a 4% benefit from the lower Australian dollar. This reflected solid lending and deposit balance growth in Indonesia and the China County Banks, despite the slowdown of these economies, partly offset by lower net interest margin.

Balance Sheet growth included:

- Growth in business and consumer lending of 19% and 20%, respectively;
- Growth in deposit and lending balances in China County Banks of 70% and 25%, respectively; and
- Continued growth in proprietary banking operations in India and Vietnam.

Net interest margin decreased due to interest rate liberalisation in China and competitive pressures on deposits and lending.

Other Banking Income

Other banking income was $241 million, an increase of 39% on the prior year, including an 11% benefit from the lower Australian dollar. Excluding the provision for impairment of the investment in VIB in prior year, other banking income increased 8%. This result reflects fee income from the TYME business and higher wealth management product sales in PT Bank Commonwealth ("PTBC"), partly offset by lower share of profits from investments in associates in China.

Insurance Income

Insurance income was $42 million, an increase of 17% on the prior year, including a 2% benefit from the lower Australian dollar, with higher first year premiums and investment returns.

Operating Expenses

Operating expenses were $274 million, an increase of 27% on the prior year, including a 4% increase from the lower Australian dollar. This reflects footprint expansion in China, core banking platform investment in China and Indonesia, relocation of the IFS head office to Hong Kong, and growth in the proprietary businesses.

Loan Impairment Expense

Loan impairment expense was $25 million, driven by Non-Performing Loans ("NPLs") in the PTBC business lending book.

	Full Year Ended					
		Restated		As reported		
	30 Jun 16	30 Jun 15 (1)	Jun 16 vs	30 Jun 15	30 Jun 14	Jun 15 vs
Corporate Centre (2)	$M	$M	Jun 15 %	$M	$M	Jun 14 %
Net interest income	**372**	219	70	499	555	(10)
Other banking income	**137**	131	5	173	150	15
Total banking income	**509**	350	45	672	705	(5)
Operating expenses	**(766)**	(671)	14	(644)	(626)	3
Net loss before tax	**(257)**	(321)	(20)	28	79	(65)
Corporate tax benefit	**57**	64	(11)	(8)	(10)	(20)
Net loss after tax ("cash basis")	**(200)**	(257)	(22)	20	69	(71)
Hedging and IFRS volatility	**(61)**	(37)	65	(37)	(4)	large
Other (after tax)	**-**	-	-	-	-	-
Net loss after tax ("statutory basis") (3)	**(261)**	(294)	(11)	(17)	65	large

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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) Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Marketing, Secretariat and Treasury.

Treasury is primarily focused on the management of the Group's interest rate risk, funding and liquidity requirements, and management of the Group's capital.

The Treasury function includes:

- Portfolio Management: manages the interest rate risk of the Group'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 and the Group's prudent liquidity requirements;
- Group Funding and Liquidity: manages the Group's long-term and short-term wholesale funding requirements; and
- Capital and Regulatory Strategy: manages the Group's capital requirements.

(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

Corporate Centre: Year Ended June 2016 versus Restated June 2015

Corporate Centre Net loss after tax ("statutory basis") for the full year ended 30 June 2016 improved $33 million on the prior year to $261 million. Total banking income was $509 million, an increase of 45% on the prior year, reflecting higher Treasury income from increased capital and favourable market positioning.

Operating expenses were $766 million, an increase of 14% on the prior year, driven by increased investment in risk related projects and safeguarding of the Group's information security.

Corporate Centre: As reported June 2015 versus June 2014

Corporate Centre Net loss after tax ("statutory basis") for the full year ended 30 June 2015 decreased $82 million on the prior year to $17 million. Total banking income decreased 5% to $672 million, driven by:

- Less favourable Treasury earnings from management of interest rate risk; partly offset by
- The impact of debt buy backs in the prior year.

Operating expenses were $644 million, an increase of 3% on the prior year, primarily driven by inflation-related costs within support functions.

IFS and Other

Eliminations/Unallocated [2]	Full Year Ended 30 Jun 16 $M	Restated 30 Jun 15 [1] $M	Jun 16 vs Jun 15 %	As reported 30 Jun 15 $M	30 Jun 14 $M	Jun 15 vs Jun 14 %
Net interest income	**(10)**	65	large	63	59	7
Other banking income	**28**	36	(22)	33	(119)	large
Total banking income	**18**	101	(82)	96	(60)	large
Funds management income	**45**	21	large	21	37	(43)
Insurance income	**5**	15	(67)	15	6	large
Total operating income	**68**	137	(50)	132	(17)	large
Loan impairment expense	**11**	15	(27)	15	(4)	large
Net profit before tax	**79**	152	(48)	147	(21)	large
Corporate tax expense	**138**	92	50	61	91	(33)
Non-controlling interests	**(16)**	(17)	(6)	(17)	(14)	21
Underlying profit after tax	**201**	227	(11)	191	56	large
Investment experience after tax	**(20)**	(41)	(51)	(39)	17	large
Net profit after tax ("cash basis")	**181**	186	(3)	152	73	large
Hedging and IFRS volatility	**-**	-	-	-	-	-
Net profit after tax ("statutory basis") [3]	**181**	186	(3)	152	73	large

(1) Comparative information has been restated to conform to presentation in the current year. However, certain reclassifications among the Group's customer segments have not been restated for the 2014 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2016 financial year and the 2015 financial year and "As reported" figures are presented for the 2015 financial year and 2014 financial year in the chart above. 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) Group wide Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" on page 8 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 26 to the 2016 Financial Report.

Eliminations/Unallocated: Year Ended June 2016 versus Restated June 2015

Eliminations/Unallocated cash Net profit after tax for the full year ended 30 June 2016 was $181 million, a decrease of $5 million on the prior year. This was primarily driven by the timing of recognition of unallocated revenue items.

Eliminations/Unallocated: As reported June 2015 versus June 2014

Eliminations/Unallocated Net profit after tax ("statutory basis") for the full year ended 30 June 2015 was $152 million, an increase of $79 million on the prior year. This was primarily driven by timing of recognition of unallocated revenue items and a decrease in centrally held loan impairment provisions.

Group Operating Expenses

The following table sets out the Group's operating expenses for financial years 2016, 2015 and 2014.

	2016 $M	2015 $M	2014 $M
Staff Expenses			
Salaries and related on-costs	**5,652**	5,321	5,089
Share-based compensation	**102**	96	99
Superannuation	**410**	399	354
Total staff expenses	**6,164**	5,816	5,542
Occupancy and Equipment Expenses			
Operating lease rentals	**650**	620	607
Depreciation of property, plant and equipment	**266**	253	244
Other occupancy expenses	**218**	213	202
Total occupancy and equipment expenses	**1,134**	1,086	1,053
Information Technology Services			
Application, maintenance and development	**511**	430	412
Data processing	**197**	183	175
Desktop	**143**	110	101
Communications	**203**	190	189
Amortisation of software assets	**379**	308	328
Software write-offs	**1**	11	70
IT equipment depreciation	**51**	60	62
Total information technology services	**1,485**	1,292	1,337
Other Expenses			
Postage and stationery	**192**	195	188
Transaction processing and market data	**179**	153	156
Fees and commissions:			
Professional fees	**247**	390	257
Other	**93**	97	99
Advertising, marketing and loyalty	**491**	522	477
Amortisation of intangible assets (excluding software and merger related amortisation)	**14**	16	19
Non-lending losses	**103**	118	97
Other	**327**	308	274
Total other expenses	**1,646**	1,799	1,567
Total expenses	**10,429**	9,993	9,499
Investment and Restructuring			
Merger related amortisation (1)	**39**	75	74
Total investment and restructuring	**39**	75	74
Total operating expenses	**10,468**	10,068	9,573

	2016 $M	2015 $M	2014 $M
Net hedging ineffectiveness comprises:			
Gain/(loss) on fair value hedges:			
Hedging instruments	**(709)**	(568)	59
Hedged items	**642**	493	(71)
Cash flow hedge ineffectiveness	**(5)**	(20)	(9)
Net hedging ineffectiveness	**(72)**	(95)	(21)

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

Risk Management

Risk Management Framework

The Group has an embedded Risk Management Framework ("Framework") that is designed to enable 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 three key documentary components:

- The Group's Risk Appetite Statement articulates the type and degree of risk the Board is prepared to accept ("appetite") and the maximum level of risk that the institution must operate within ("tolerances").
- The Group's Business Plan summarises the Group's approach to the implementation of its strategic objectives. This Plan has a rolling three year duration which also takes into consideration material risks arising from its implementation.
- The Group's Risk Management Strategy describes each material risk, the approach taken to managing these risks and how this approach is operationalised through governance, policies and procedures.

This framework requires each business to plan and manage the outcome of its risk-taking activities, including proactively managing its risk profile within risk appetite levels; using risk-adjusted outcomes and considerations as part of its day-to-day business decision-making processes; and establishing and maintaining appropriate risk controls.

These documents, together with the key operational elements described below, offer the Board the opportunity to direct management in its risk taking activities and facilitate dialogue between Board and management about risk management practices.

Risk Governance

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

The Board operates as the highest level of the Group's risk governance as specified in its Charter. In addition, an annual declaration is made by the chair of the Board and Risk Committee to APRA on Risk Management requirements as set out in CPS 220.

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

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

The Group risk management structure is a Three Lines of Defence ("3LoD") model which supports the Framework by:

- Reinforcing that risk is best owned and managed where it occurs – so the business (Line 1) is responsible for the management of risk;
- Having a separate group of experienced staff with specific risk management skills (Line 2) to facilitate the development of, and monitor / measure the effectiveness of the risk management process and systems used by Line 1; and
- Having an independent third group (Line 3) provide assurance to the Board, regulators and other stakeholders on the appropriateness and effectiveness of the activities of Lines 1 and 2.

Risk Culture

Risk Culture is the collection of values, ideas, skills and habits that equip Group employees and directors to see and talk about risks, and make sound judgments in the absence of definitive rules, regulations or market signals.

The Group regards risk culture as an aspect of overall culture. As such, the Group's risk culture flourishes within an organisational context that emphasises and rewards integrity, accountability, collaboration, service and excellence. This encourages employees at all levels to "speak up" if they believe the Group as a whole, their part of the organisation or specific colleagues are conspicuously failing to uphold those values, damaging risk culture or taking ill-considered risks.

APRA requires the Group Board to form a view regarding the effectiveness of the institution's risk culture in keeping risk-taking within appetite, and to take any corrective action that may be appropriate.

Risk Policies & Procedures

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

- Summarising the principles and practices to be used by the Group in identifying and assessing its material risks;
- Outlining a process for monitoring, communicating and reporting risk issues, including escalation procedures for the reporting of material risks; and
- Quantifying the limits (risk tolerances) for major risks and stating risk actions to which the Group is intolerant.

Risk Management Infrastructure

The Framework is supported by the following group-wide processes:

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

Material 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 32 to the 2016 Financial Report)	Credit risk is the potential for loss arising from the failure of a customer or counterparty to meet their contractual obligations to the Group. At a portfolio level, credit risk includes concentration risk arising from interdependencies between customers, and concentrations of exposures to geographical regions, industry sectors and products/portfolio types.	**Governing Policies:** ▪ Group Credit Risk Principles, Frameworks and Governance (incl. Risk Appetite, principles, and frameworks; and Credit Risk governance); and ▪ Credit Risk Policies (incl. Origination, Decisioning, Verification/Fulfilment, and Whole of Life Servicing). **Key Management Committee**: Executive Risk Committee	The following key credit risk policies set credit portfolio concentration limits and standards: ▪ Large Credit Exposure Policy (“LCEP”); ▪ Country Risk Exposure Policy (“CREP”); ▪ Industry Sector Concentration Policy (“ISCP”); and ▪ Exposure to consumer credit products are managed within limits and standards set in the Group Level RAS, BU Level RAS and Credit Portfolio & Product Standards. The measurement of credit risk is primarily based on an APRA accredited Advanced Internal Ratings Based (“AIRB”) approach (albeit some exposures are subject to the standardised approach). The approach uses judgemental assessment of individuals or management, supported by analytical tools (including scorecards) to estimate expected and unexpected loss within the credit portfolio.
Market Risk (including Equity Risk) (refer to Note 33 to the 2016 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 assets underlying operating leases at maturity (lease residual value risk).	**Governing Policies:** ▪ The Group Market Risk Manual (including the Group Market Risk Policy and Trading Book Policy Statement) **Key Management Committee**: Asset and Liability Committee	The Group Market Risk Policy sets limits and standards with respect to the following: ▪ Traded Market Risk; ▪ Interest Rates Risk on the Banking Book (“IRRBB”); ▪ Residual Value Risk; ▪ Non-traded Equity Risk; and ▪ Market Risk in Insurance Businesses. The respective measurement approaches for the underlying market risks noted above include: ▪ Value at Risk (“VaR”), Stress Testing; ▪ Market Value Sensitivity (“MVS”), Net Interest Earnings at Risk (“NIER”); ▪ Profit & Loss Adjustment Account Balance, Aggregate Residual Value Risk Weighted Exposure, Aggregate Residual Value Risk Margin; and ▪ Aggregate Portfolio Limit.

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 34 to the 2016 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 and Strategy **Key Management Committee:** Asset and Liability Committee	The Group Liquidity Risk Management Policy and Strategy sets limits and standards with respect to the following: ▪ The Liquidity Coverage Ratio, which requires liquid assets exceed modelled 30 day stress outflows; ▪ Additional market and idiosyncratic stress test scenarios; and ▪ Limits that set tolerances for the sources and tenor of funding. The measurement of liquidity risk uses scenario analysis, covering both: ▪ “Stress” scenarios, which assess the behaviour of cash flows in adverse operating circumstances; and ▪ “Going concern” scenarios, which assess behaviour of cash flows in ordinary operating circumstances.
Operational Risk	Operational risk is risk of economic loss arising from inadequate or failed internal processes, people, systems or external events.	**Governing Policies:** ▪ Group Operational Risk Management Framework **Key Management Committees:** Executive Committee, Data Governance Committee	The Group Operational Risk Management Framework sets limits and standards with respect to the following: ▪ Investigation and reporting of loss, compliance and near miss incidents; ▪ Comprehensive Risk and Control Self-Assessment (“RCSA”), control assurance and issues management processes; and ▪ Comprehensive Scenario Analysis assessment process (also called Quantitative Risk Assessments). The measurement of operational risk is based on an APRA accredited Advanced Measurement Approach (“AMA”) (some exposures are subject to standardised). The approach combines internal and external loss experience and business judgements captured through Scenario Analysis.
Compliance Risk	Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Group may incur as a result of its failure to comply with its Compliance Obligations. Compliance Obligations are formal requirements that may arise from various sources including but not limited to; laws; regulations; legislation; industry standards; rules; codes or guidelines.	**Governing Policies:** ▪ Group Operational Risk Management Framework ▪ Compliance Risk Management Framework (“CRMF”) ▪ Compliance Incident Management Group Policy **Key Management Committees:** Executive Committee, Data Governance Committee	The key limits with respect to compliance risk are set via the Group Operational Risk Management Framework. The Group Compliance Risk Management Framework sets standards with respect to the understanding of obligations, establishing policies and procedures, managing non-compliance, monitoring and reporting. The measurement of compliance risk is undertaken within the operational risk approach.

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 and Reinsurance Management Policy (end-to-end policies of insurance writing businesses). **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 economic loss resulting from changes in the business environment (caused by macroeconomic conditions, competitive forces at work, technology, regulatory or social trends) or internal weaknesses, such as a poorly implemented or flawed strategy.	**Governing Policies:** ▪ Group Risk Management Strategy ("RMS") **Key Management Committee:** Executive Committee	The key limits and standards with respect to strategic risk are set via the Board's consideration of Group and BU strategic plans and the most significant risks (current and emerging) arising from these. Strategic risk is measured using a combination of judgemental assessments captured through Scenario Analysis and an internal profit simulation model.
Reputational Risk	Reputational risk arises from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant stakeholders of the Group.	**Governing Policies:** ▪ Group RMS ▪ Group Risk Appetite Statement ▪ Statement of Professional Practice ▪ Environmental, Social and Governance Lending Policy **Key Management Committee:** Executive Committee	Potential adverse Reputational impacts are managed as an outcome of all other material risks. In addition the Group: ▪ Sets clear behavioural standards (as set out in the Group's Risk Appetite Statement) and Group-wide requirements of leadership that support the Group's vision and values; and ▪ Has a Sustainability framework which supports the Group in managing its Environmental, Social and Governance ("ESG") risks.

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 denominated in currencies other than the counterparties' local currency. 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.

At 30 June 2016, bank and sovereign cross-border outstanding exposures of $27.1 billion and $17.7 billion respectively, exceeded 1% of the Group's total assets. As at 30 June 2016, the United Kingdom, United States and China, with cross-border outstanding exposures of $7.4 billion, $19.1 billion and $10.0 billion respectively, were the three countries other than Australia that exceeded 0.75% of the Group's total assets.

At 30 June 2015, bank and sovereign cross-border outstanding exposures of $28.6 billion and $14.1 billion respectively, exceeded 1% of the Group's total assets. As at 30 June 2015, the United Kingdom, United States and China, with cross-border outstanding exposures of $11.4 billion, $16.3 billion and $7.4 billion respectively, were the three countries other than Australia that exceeded 0.75% of the Group's total assets.

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 derecognition of those financial assets for the Group. These include securitisation programs and covered bond programs. 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 34 to the 2016 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.

Covered Bonds Programs

To complement the existing wholesale funding sources, the Group has established two global covered bond programs for the Bank and ASB. Certain residential mortgages have been assigned to a bankruptcy remote SPV associated with covered bond programs to provide security for the obligations payable on the covered bonds issued by the Group. Similarly to securitisation programs, the Group is entitled to any residual income after all payments due to covered bonds investors have been met. As the Bank retains substantially all of the risks and rewards associated with the mortgages through derivatives transacted with the SPV, the Bank and ASB continue to recognise the mortgages on its Balance Sheet. The covered bond holders have dual recourse to the Bank and the covered pool assets.

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 36 and Note 41 of the 2016 Financial Report.

Group Arrangements with Issuers	2016 $M	2015 $M	2014 $M
Liquidity facilities available to Issuers (1)	2,382	2,755	1,302

(1) Relates to undrawn facilities to unconsolidated SPVs.

Credit Risk Related Instrument

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 the financing needs of its customers and in managing its own risk. These financial instruments include guarantees, letters of credit, bill endorsements and other commitments to provide credit. 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 $171 billion of commitments to provide credit (2015: $166 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 30 to the 2016 Financial Report – Contingent Liabilities, Contingent Assets and Commitments.

Off-Balance Sheet Arrangements

Credit risk related instruments	Face Value			Group Credit Equivalent		
	2016 $M	2015 $M	2014 $M	2016 $M	2015 $M	2014 $M
Guarantees	**6,216**	6,181	6,121	**6,216**	6,181	6,121
Documentary letters of credit	**1,308**	1,764	4,729	**1,153**	1,621	4,546
Performance related contingents	**2,568**	2,007	1,585	**2,560**	1,881	1,409
Commitments to provide credit	**170,742**	165,511	151,135	**162,967**	157,387	143,270
Other commitments	**1,636**	2,113	2,362	**1,359**	1,852	1,901
Total credit risk related instruments	**182,470**	177,576	165,932	**174,255**	168,922	157,247

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.

Bills of exchange endorsed by the Group which represent liabilities in the event of default by the acceptor and the drawer of the bill.

Documentary letters of credit are undertakings by the Group to pay or accept drafts drawn by a supplier of goods against presentation of Documents in the event of payment default by a customer.

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 and commitments with certain drawdowns.

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 30 to the 2016 Financial Report – Contingent Liabilities, Contingent Assets and Commitments).

Other commitments include the Group's obligations under sale and repurchase agreements, outright forward purchases and 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 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)		
	2016 $M	2015 $M	2014 $M
Guarantees	**9**	8	3
Standby letters of credit	**-**	-	-
Bill endorsements	**-**	-	1
Documentary letters of credit	**2**	3	4
Performance related contingents	**33**	20	21
Total	**44**	31	29

(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 91 of this Document.

The outstanding balance of securitised loans at 30 June 2016 was $13,863 million (2015: $14,264 million). No credit losses were incurred by the Group in relation to these securitised loans during the financial years 2016 and 2015. The credit risk in respect of these loans is fully covered through mortgage insurance.

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 34 to the 2016 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 36 and Note 41 to the 2016 Financial Report.

Commitments

Commitments

This "Commitments" section contains certain forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 5 of this Document.

At the end of financial years 2016 and 2015, the Group had commitments for capital expenditure and lease commitments (see Note 29 to the 2016 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 34 to the 2016 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 2016					
	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	164,084	65,270	47,948	29,846	21,020	-
Deposits and other Public Borrowings	589,408	568,074	14,660	6,113	561	-
Loan Capital	16,660	147	1,421	3,754	11,338	-
Total On-Balance Sheet	770,152	633,491	64,029	39,713	32,919	-
Off-Balance Sheet						
Credit risk related instruments [2]	170,742	170,742	-	-	-	-
Lease commitments - Property, Plant and Equipment [3]	4,889	606	1,037	810	2,436	-
Commitments for capital expenditure not provided for in the accounts	189	62	115	12	-	-
Total Off-Balance Sheet	175,820	171,410	1,152	822	2,436	-

(1) Contractual On-Balance Sheet obligations also include contractual interest; refer to Note 34 to the 2016 Financial Report.
(2) Credit risk related instruments, see page 92 of this Document.
(3) Refer Note 29 to the 2016 Financial Report.

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.

Failure to Settle Risk

The Group is subject to a credit risk exposure in the event that another financial institution fails to settle for its payments clearing activities, in accordance with the regulations and procedures of the following clearing systems of the Australian Payments Clearing Association Limited: The Australian Paper Clearing System, The Bulk Electronic Clearing System, The Issuers and Acquirers Community and the High Value Clearing System (only if operating in "fallback mode"). This credit risk exposure is unquantifiable in advance, but is well understood, and is extinguished upon settlement at 9am each business day.

Capital Commitments

The Group is committed for capital expenditure on property, plant and equipment and computer software under contract of $189 million as at 30 June 2016 (2015: $21 million). The Bank is committed for $182 million (2015: $16 million). These commitments are expected to be extinguished within the next five 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 2016 was $5.0 million (2015: $4.9 million).

Transactions in Own Shares

The Group had the following employee share plans in place during the year ended 30 June 2016:

- Employee Share Plan ("ESP");
- Employee Share Performance Units 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"); 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 2016 Financial Report.

Description of Business Environment

Business Strategies and Future Developments

During the financial year, the Group responded to increased regulatory capital requirements and raised $5.1 billion through an entitlement offer for all shareholders. As a result of the capital raising and strong organic capital growth throughout the year, the Group has improved its capital position. With clarity on a number of global regulatory reforms expected by the end of this calendar year, we are confident that the Group will maintain its position of strength across all required metrics.

We have pursued a simple, consistent strategy for over a decade now. Continued execution of that strategy, focused on customer satisfaction, innovation and strength, has again driven solid operating performance and balance sheet growth for the Group. Commonwealth Bank ranked outright number one for retail customer satisfaction for each month during the 2016 financial year in the Roy Morgan Retail MFI Customer Satisfaction survey, and ranked first or equal first in all segments of business customer satisfaction at 30 June 2016, according to the DBM Business Financial Services Monitor. Our institutional bank has performed particularly well on this measure, rating outright or equal first for 56 consecutive months to 30 June 2016. Customer satisfaction is the key metric we use to benchmark execution of Group strategy, because satisfied customers look to us to meet more of their needs. This year we have achieved our best ever customer satisfaction results, and this has again translated into increased customer activity.

Our employees have showed continuing commitment and dedication to their customers and the values of the Bank, as evidenced by the strength of our customer satisfaction performance. Making the Group a place where our employees feel motivated to give their best, regardless of gender, ethnicity, sexual orientation, age, or whether they have a disability, also remains a major priority.

Momentum on innovation initiatives was maintained in 2016. For retail customers the emphasis was on fast and simple digital transactions. The CommBank app now includes 'Instant Banking', which allows new-to-bank customers to open an account and transact immediately, new online loan approval capabilities, and click-to-pay with 'Photo a Bill'. For business customers, the focus was on delivering business intelligence and integrated technology solutions, including through new partnerships with leading fintech providers. The bank also continued the successful roll-out of Albert EFTPOS tablets, with more than 40,000 now in the market.

In 2016, the Group distributed $7 billion in dividends to more than 800,000 shareholders and super funds, and paid $6.2 billion in salaries and wages to 41,400 Australians and to 51,700 of our people overall. Payments of $4.2 billion were made to around 5,000 SME partners and suppliers, more than 90% of which were Australian. The Group was also the biggest tax payer in Australia, contributing $3.6 billion in tax, equivalent to 4.8% of Australia's total corporate tax receipts.

In addition to fulfilling our responsibility to support individuals and businesses directly, we are also proud of the Group's contribution to the economy through the taxes, salaries and dividends we pay. We look for ways to make a positive contribution beyond our core business, and are committed to operating sustainably and to supporting the communities in which we operate through a range of education and community investment focused initiatives.

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 2001 of the Commonwealth of Australia 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 passed by the State of New South Wales.

On 19 December 2008, the Bank acquired 100 per cent of Bank of Western Australia Ltd (Bankwest) from HBOS plc.

Australia

Financial Services

Financial services providers in Australia offer household and business customers a wide range of products and services encompassing retail, business and institutional banking, funds management, superannuation, insurance, investment, risk management and stockbroking. The domestic competitive landscape includes the four major banks, regional banks, building societies and credit unions, foreign retail banks, local and global investment banks, fund managers, private equity firms, insurance companies, brokers and third party distributors.

Banking

We intend to continue pursuing our vision to excel at securing and enhancing the financial wellbeing of people, businesses and communities.

We believe our strategy to achieve that has served our customers and shareholders well over recent years. We believe that there is still considerable upside yet to be realised in these key themes of customer focus, people, technology, productivity and strength.

Funds Management

Domestic markets declined during the 2016 financial year, with the average ASX 200 down 6%, with weaknesses in global markets further impacting performance. 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 markets are also expected to continue to grow over the long-term, driven by increasing wealth in developing countries.

Australia's aging population and the requirement 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 may continue as a result of changing investor product preferences which is expected to reduce revenue. Regulatory changes impacting the funds management industry has the potential to increase capital requirements and associated costs. Consolidation may be an option for participants seeking scale and the ability to expand capabilities to counteract any such impacts.

Insurance

The Australian insurance market growth is expected to continue, largely driven by greater consumer awareness and access through a wider array of channels. Bancassurance, master trusts and industry funds continue to be the strongest areas of growth. To meet the growing needs of consumers, insurance manufacturers are placing a greater emphasis on technology and service efficiency.

Advice-based product profitability, notably Income Protection products, is being impacted by rising loss ratios. Lapse rates of advice-based products have improved compared to historical levels due to continuous investments in retention initiatives. Loss ratios of General Insurance have improved due to less severe weather events, however new business sales have been impacted as a result of a highly competitive market with a few large players dominating the industry.

New Zealand

The Group's banking activities in New Zealand are conducted by ASB Bank and also by the New Zealand branch of CBA. The Group's insurance activities in New Zealand are conducted by Sovereign.

Competition

Competitive Landscape

Australia and New Zealand are strongly competitive financial services markets across the range of banking, funds management and insurance products. Competitors include the major Australian/NZ banks (Australia and New Zealand Banking Group ("ANZ"), National Australia Bank ("NAB") and Westpac Banking Corporation ("WBC")), regional banks, foreign banks and both local and international non-bank intermediaries. Competition is expected to increase, especially from non-Australian financial services providers who continue to expand in Australia, and from new non-bank entrants who may be unregulated or subject to lower regulatory standards.

Each of the major banks offer a full range of financial products and services through branch networks, electronic channels and third party intermediaries across Australia. The regional banks, while smaller than the majors, operate across state borders, or nationally, primarily in mortgage lending, facilitated by non-bank mortgage originators and brokers. Non-bank financial intermediaries such as building societies and credit unions operate in the areas of accepting deposits and residential mortgage lending, mainly for owner-occupied housing. Since 2008's credit crisis, regional banks and non-bank financial intermediaries have not been as active competitors of the major banks due to changes in markets and consumer preference since the start of the global financial crisis.

In addition, the Wealth Management businesses compete with both domestic and international funds management and insurance providers. The domestic competitors include AMP, ANZ, WBC, NAB, IAG, QBE, Suncorp and specialist providers.

The Australian and New Zealand financial services sector performed strongly in the decade ended in late 2008, largely driven by strong growth in lending. Since 2008 this trend has changed to lower credit growth and higher savings growth with the expectation that this trend will continue.

Changes in the financial needs of consumers, regulatory changes, and technology developments have also changed the competitive landscape. In particular, the development of electronic delivery channels and the reduced reliance on a physical network to facilitate the entry of new players from related industries, such as retailers, telecommunication companies and utilities. Technological change has provided opportunities for new entrants with differing combinations of expertise and has enabled the unbundling of the value chain.

Employees

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

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

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

Technology

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

We are also using our investment in technology to achieve our broader vision of financial wellbeing and to create value for the community. A recent example is the launch of Clever Kash, a cashless money box, by ASB in New Zealand, to help teach children the value of money in an almost cashless society. Family members or friends can virtually swipe money from their ASB banking app to the child's elephant shaped money box, and the amount will appear on a screen on its tummy. By keeping money tangible, we can help kids develop good money habits and learn the importance of saving.

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

Productivity

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

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

Strength

We believe our capacity to support our customers is directly related to the strength of our balance sheet. We believe our stakeholders rely on our stability, particularly when markets are volatile. During the financial year, we responded to increased regulatory capital requirements, and raised additional capital through an entitlement offer for all shareholders. As a result of the capital raising and strong organic capital growth, we have improved our capital position.

Our funding and liquidity positions are similarly strong. Thanks to 8% growth in customer deposits in the year, customer deposits represented 66% of group funding as at 30 June 2016. Notwithstanding the increased capital levels, we have seen funding costs move higher recently due to global volatility and increased regulatory pressures.

Investment in our community

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

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

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

Financial System Regulation in Australia

The Inquiry initiated by the Australian Federal Government released its report on 7 December 2014. The Inquiry was given the task of examining how the Australian financial system could be positioned to best meet Australia's evolving needs and support Australia's economic growth. The report released by the Inquiry has made a number of detailed recommendations across five specific themes (improving the financial system's resilience, strengthening the superannuation system, facilitating innovation, improving consumer outcomes and refining Australia's regulatory system with the aim of keeping it 'fit for purpose'). Foremost amongst these was the recommendation for the banking sector to be "unquestionably strong" which the report defines as being "in the top quartile of internationally active banks". All of these areas are currently under consideration by the Government and the potential for legislative changes may or may not impact the operations or profitability of the Group.

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 Reserve Bank of Australia ("RBA"), APRA, the Australian Securities and Investments Commission ("ASIC"), the Australian Transaction Reports and Analysis Centre ("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 1959 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 2001. The Corporations Act 2001 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. As a provider of financial services in Australia and internationally, the Group is committed to the principles of the Financial Action Task Force as the international standard setter for anti-money laundering and counter-terrorism financing efforts.

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.

Owing to the geographic reach of its activities and operations, the Group must also comply with the sanctions regimes in a number of different countries. These regimes include (but are not limited to) sanctions administered by the U.S. Office of Foreign Assets Control, Hong Kong Monetary Authority and Monetary Authority of Singapore.

Supervisory Arrangements

The Bank is an ADI under the Banking Act 1959 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 25 to the 2016 Financial Report.

APRA's prudential guidance for liquidity risk management requires ADIs to maintain a liquidity management policy, governance and management framework and funding strategy that complies with the requirement to prudently manage all liquidity risks. The Group's liquidity policy and management framework requires an appropriate level of high quality liquid assets be held to support both business as usual and under a stress scenario. The liquid assets holding requirements includes Certificates of Deposit, Bills of Exchange, securities issued by the Federal and State Governments, as well as selected securities issued by selected supranational agencies and specific mortgage backed securities available for repurchase by the RBA. The liquid asset definition also includes the cash balance of CBA's ESA with the RBA. APRA has implemented changes to liquidity management standards as part of the Basel III global banking reforms.

The Group has been required to meet a LCR since 1 January 2015 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 34 to the 2015 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 consultation must be held with APRA if a bank intends to exceed set thresholds. For information on the Group's large exposures refer to Note 32 to the 2016 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 implement a Board approved Fit and Proper policy covering minimum requirements for the fitness and proprietary 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 APRA 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 "Insurance and Wealth Management Regulation" below.

Insurance and Wealth Management Regulation

The Group conducts general and life 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 wealth management businesses are APRA and ASIC. The Group's insurance and superannuation businesses are required to comply with relevant legislations including the Life Insurance Act 1995, 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 wealth management businesses are also governed by the Corporations Act 2001, which is administered by ASIC. In regard to the Group's life insurance business in Australia, the Group determines capital requirements in accordance with APRA Prudential Standards.

The Group's life insurance business in New Zealand is required to comply with relevant legislation including the Insurance ("Prudential Supervision") Act 2010 ("IPSA"), which establishes the Reserve Bank of New Zealand ("RBNZ") as the regulator for insurance businesses. IPSA requires life insurers to hold a minimum amount of capital as set out in the applicable solvency standard issued by the RBNZ, which is currently the Solvency Standard for Life Insurance Business 2014. The Group's general insurance businesses are regulated by APRA under the Insurance Act 1973. The Group determines capital requirements for general insurance businesses in accordance with APRA Prudential Standards.

The Group's financial advice businesses are licensed and regulated by ASIC.

From 1 July 2013, APRA introduced additional Prudential Standards that introduce new financial, reporting and operational requirements for licensed superannuation trustees. ASIC has imposed new financial requirements that apply to all responsible entities that operate funds management businesses. For those entities that are both responsible entities and licensed superannuation trustees, these additional ASIC financial requirements apply from 1 July 2015.

Legal Proceedings

The Group is not engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Group. CBA, along with a large number of other Australian and international banks, was named in a class action complaint filed in the United States by two US-based investment funds and an individual derivatives trader. The class action relates to bank trading and the bank bill swap rate (BBSW). CBA has not yet been served in connection with these proceedings. It is too early to assess what, if any, impact this complaint would have on CBA. For all litigation exposure where some loss is probable and can be reliably estimated an appropriate provision has been made. Litigation related contingent liabilities at 30 June 2016 included:

Storm Financial

Class action proceedings were commenced in the Federal Court against the Group in relation to Storm Financial on 1 July 2010. The hearing of the proceedings concluded in November 2013 and judgment was reserved.

The parties exchanged a Deed of Settlement in an attempt to resolve the class action on 27 February 2015, and the Federal Court approved the proposed settlement on 7 July 2015. The settlement of the class action proceedings has now been implemented in accordance with the Deed of Settlement dated 27 February 2015 and the orders of the Court.

Exception Fee Class Action

In May 2011, Maurice Blackburn announced that it intended to sue various Australian banks with respect to exception fees. Proceedings were issued against Commonwealth Bank of Australia in December 2011 and against Bankwest in April 2012. Neither claim has been progressed and both have been stayed since issue, pending the outcome of similar proceedings against another bank where an appeal process to the High Court was commenced. On 27 July 2016 the High Court handed down its Judgment dismissing the appeal. The proceedings against Commonwealth Bank of Australia and Bankwest are expected to be discontinued.

Advice Review Programs

Certain remediation programs are being undertaken in the Group's advice business as follows:

- The Open Advice Review program for customers of CFPL and FWL, who received advice between 1 September 2003 and 1 July 2012. Registrations for the program are now closed, with customer file assessments and remediation ongoing.
- Variations to CFPL's and FWL's licences has led to a review of six customer files from each of the 17 advisers identified by ASIC's compliance expert. The review will confirm if the advice provided before 2012 was appropriate and whether further reviews are required.
- A review of service delivery against past adviser service package offerings has commenced. In instances where the Group does not have evidence of service delivery the affected customers will be refunded.

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

Critical Accounting Policies and Estimates

Note 1 to the 2016 Financial Report contains a summary of the Group's significant accounting policies. 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.

An explanation of these policies and the related judgements and estimates involved is set out in Note 1 to the 2016 Financial Report.

Remuneration of Auditors

Disclosure of the Remuneration of Auditors is set out in Note 28 to the 2016 Financial Report.

Introduction

This statement outlines the key aspects of the corporate governance framework of the Commonwealth Bank of Australia ("Bank") and its related bodies corporate ("Group"). The Group is committed to ensuring that its policies and practices reflect a high standard of governance. The Board has adopted a comprehensive framework of corporate governance guidelines, designed to balance properly performance and conformance. This enables the Group to undertake, in an effective manner, the prudent risk-taking activities which are the basis of its business.

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

This statement is current as at 9 August 2016, and has been approved by the Board of the Bank.

The Board

The Board is accountable to shareholders for the Group's performance and governance. Management is responsible for implementing the Group's strategy and objectives, and for carrying out the day-to-day management and control of the Group's affairs.

Charter

The Board's role and responsibilities are set out in the Board Charter. The responsibilities include:

- The Group's corporate governance, including the establishment of Committees;
- Oversight of the business and affairs of the Group by:
  - Establishing, with management, and approving the strategies and financial objectives;
  - Approving major corporate and capital management initiatives, capital expenditure, acquisitions and divestments in excess of limits delegated to management;
  - Overseeing the establishment of appropriate risk management systems, including defining the Group's risk appetite and establishing appropriate financial policies such as target capital and liquidity ratios; and
  - Monitoring the performance of management and the environment in which the Group operates;
- Approving documents (including reports and statements to shareholders) required by the Bank's Constitution and relevant regulation;
- Approving the Group's major human resources policies and overseeing the development of strategies for senior and high performing executives;
- Employing the Chief Executive Officer ("CEO"); and
- Reviewing diversity initiatives and progress, including monitoring and reporting on the relative proportion of women and men in the workforce at all levels of the Group.

A copy of the Board Charter is available on the Group's website.

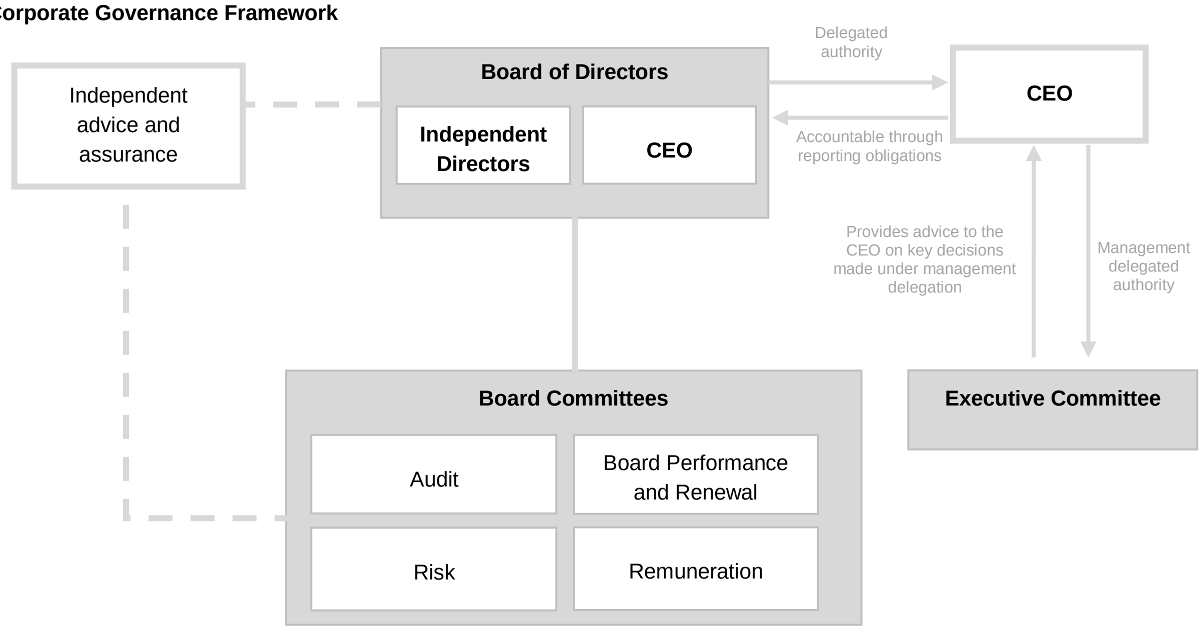
Delegation of Authority

The Board has delegated to the CEO and, through the CEO, to other senior executives, responsibility for the day-to-day management of the Group's business and implementation of the Group's strategy and policy initiatives. The CEO and other senior executives operate in accordance with a comprehensive set of management delegations under the Group's Delegation of Authorities framework. These delegations cover commitments around project investment, operational expenditure and non-financial activities and processes, and are designed to accelerate decision-making and improve both efficiency and customer service.

Overview of Corporate Governance Framework

An overview of the Group's Corporate Governance Framework is depicted below.

Corporate Governance Framework



Corporate Governance

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Composition of the Board

The Bank's Constitution provides that there will be a minimum of nine (9) Directors and a maximum of thirteen (13) Directors on the Board, including the Managing Director/CEO, and not more than three (3) Executive Directors.

The Board currently comprises twelve (12) Directors of which eleven (11) are independent Non-Executive Directors and one is an Executive Director, being the CEO.

The respective roles of the Chairman and the CEO are not exercised by the same individual, and the Bank's Constitution provides that the CEO and any other Executive Directors are not eligible to stand for election as Chairman of the Bank.

Details of the period of office held by each current Director and the year of their last election are as follows:

Director	Appointed	Last Elected at an AGM
David Turner (Chairman)	2006	2015
Ian Narev (CEO)	2011	-
Sir John Anderson	2007	2013
Shirish Apte	2014	2014
Sir David Higgins	2014	2014
Launa Inman	2011	2014
Catherine Livingstone	2016	-
Brian Long	2010	2013
Andrew Mohl	2008	2014
Mary Padbury	2016	-
Wendy Stops	2015	2015
Harrison Young	2007	2015

Jane Hemstritch retired from the Board in March 2016.

Catherine Livingstone and Mary Padbury, having been appointed during 2015, will stand for election, with the Board's endorsement, at the Bank's 2016 Annual General Meeting ("AGM").

Details of the number of times the Board met throughout the 2016 financial year and the individual attendances of the Directors at those meetings is contained in the Directors' Meetings section of the Directors' Report on page 8 of the 2016 Financial Report.

Chairman

The Chairman is an independent Non-Executive Director. The Chairman leads the Board and sets its tone, and is responsible for the effective organisation and conduct of the Board's affairs. The Chairman builds and maintains an effective working relationship with the CEO, and encourages contribution by all Board members. The Chairman also represents the Bank to shareholders and in the wider community.

Committees

To assist the Board to carry out its responsibilities, the Board has established a Board Performance and Renewal Committee, a Remuneration Committee, an Audit Committee, and a Risk Committee. The Board establishes ad-hoc Committees as required.

These Committees review matters on behalf of the Board, and as determined by the relevant Charter:

- Refer matters to the Board for decision, with a recommendation from the Committee; or
- Determine matters (where the Committee acts with delegated authority), which the Committee then reports to the Board.

The Chairman of each Committee provides a report to the Board following each Committee meeting and minutes of each Committee meeting are provided to all Directors.

Tenure

The Bank's Constitution specifies that at each AGM, one third of Directors (other than the CEO and Directors appointed to the Board since the last AGM) will retire from office and may stand for re-election.

The policy of the Board is that Non-Executive Directors are normally expected to serve a term of six (6) years from the date of first election by shareholders, subject to re-election by shareholders as required under the Bank's Constitution and the Australian Securities Exchange ("ASX") Listing Rules. That term may be extended to nine (9) years where, at the end of the initial six (6) year period, the Board determines that such an extension would be of benefit to the Bank and the Director is agreeable. On an exceptional basis, the Board may annually exercise its discretion to further extend the term of a Director should the circumstances be such that the Board deems it appropriate, subject to the total term of appointment not exceeding twelve (12) years. The Chairman would normally be expected to serve a term of at least five (5) years in that capacity.

Director Independence

The Bank's Non-Executive Directors are required to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement. The Board regularly assesses each Director's independence to ensure ongoing compliance with this requirement.

Directors are required to conduct themselves in accordance with the ethical policies of the Bank and be meticulous in their disclosure of any material contract or relationship. This disclosure extends to the interests of family companies and spouses. Directors must also strictly adhere to the participation and voting constraints in relation to matters in which they may have an interest. Each Director may from time to time have personal dealings with the Bank or be involved with other companies or professional firms which may have dealings with the Group. During the year, the Board assessed that there were no relationships that interfere with a Director's exercise of independent judgement or his or her ability to act in the best interests of the Group. Details of offices held by Directors with other organisations are disclosed in the Directors' Report on pages 3 to 8 of the 2016 Financial Report and on the Group's website. Full details of related party dealings are set out in the notes to the Financial Statements as required by law in the 2016 Financial Report.

All the current Non-Executive Directors of the Bank have been assessed as independent Directors. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

- The specific disclosures made by each Non-Executive Director;
- Where applicable, the related party dealings referable to each Non-Executive Director;
- Whether a Non-Executive Director is, or has been associated directly with, a substantial shareholder of the Bank;
- Whether a Non-Executive Director has ever been employed by the Bank or any of its subsidiaries;
- Whether a Non-Executive Director is, or has been associated with, a supplier, professional adviser, consultant to or customer of the Group which is material under the accounting standards;
- Whether a Non-Executive Director is, or has been within the last three (3) years, a partner, director, or senior employee of a provider of material professional services to the Group;
- Whether the Non-Executive Director is, or has been within the last three (3) years, in a material business relationship as a supplier or customer of the Group, or an officer of or associated with someone in such a relationship;
- Whether a Non-Executive Director personally carries on any role for the Group otherwise than as a Director of the Bank;
- Whether a Non-Executive Director has a material contractual relationship with the Group other than as a Director of the Bank; and
- Whether a Non-Executive Director has close family ties with any person who falls within any of the above categories.

David Turner, Harrison Young and Sir John Anderson have each served on the Board for more than nine years. The Board does not believe that their tenure interferes with their ability to act in the best interests of the Group or compromises their ability to exercise independent judgement. Their status as independent Directors was confirmed by the Board in 2016.

Director Induction and Education

Directors participate in an induction program upon appointment and in ongoing education sessions on a regular basis. This program of continuing education ensures that the Board is kept up to date with developments in the industry both locally and globally. It also includes sessions with local and overseas experts in the particular fields relevant to the Group's operations.

Board Performance and Renewal Committee

The Board Performance and Renewal Committee assists the Board's function by considering and advising the Board on issues relevant to:

- The governance of the Group;
- CEO succession planning;
- The selection, remuneration, education and evaluation of Directors;
- The appointment, remuneration and tenure of independent Non-Executive Directors to the respective Boards of its wholly owned subsidiaries;
- The relationship between Board and Management; and
- Policies relating to diversity for the Board.

The Board Performance and Renewal Committee consists solely of independent Non-Executive Directors. The minimum number of Committee members is three (3) and the current number of members is four (4). Meetings are chaired by the Chairman of the Board.

A copy of the Board Performance and Renewal Committee Charter is available on the Group's website.

The Committee's members are:

David Turner (Chairman)
Sir John Anderson
Brian Long
Harrison Young

Details of the number of times the Board Performance and Renewal Committee met throughout the 2016 financial year and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the Directors' Report on page 9 of the 2016 Financial Report.

The Board Performance and Renewal Committee considers the composition and effectiveness of the Bank's Board and also the boards of the Bank's major wholly owned subsidiaries. It also ensures that the Board annually reviews its own performance, policies and practices. These reviews seek to identify where improvements can be made in Board processes. The review also assesses the quality and effectiveness of information made available to Directors.

Evaluation of Board Performance

The Board conducts regular evaluations of the performance of the Board, individual Directors and the Board's Committees. Every two (2) years, this process is facilitated by an external consultant. Every other year, the assessment is carried out internally.

During 2016 the assessment was undertaken using an internal process led by the Chairman of the Board. This process included a discussion with each Director individually to obtain her or his views on matters including the effectiveness of the Board as a whole, the topics and issues it focused upon, quality of both papers and discussion at meetings, including in Board Committee meetings. The opinions expressed then formed the basis of a Board discussion in order to identify what worked well and where improvements might be made.

Directors received individual feedback on their own performance, as did the Chairman.

The assessment was considered by the Board, enhancements to process were implemented, and individual Director assessments were discussed.

After considering the results of the performance review, the Board determined to endorse the Directors who will stand for re-election at the 2016 AGM.

The Non-Executive Directors meet several times a year without management, in a forum intended to allow for an open discussion on Board and management performance. This is in addition to the consideration of the CEO's performance and remuneration, which is conducted by the Board in the CEO's absence.

Non-Executive Directors spend at least sixty (60) days each year (considerably more in the case of Committee Chairmen) on Board business and activities, including Board and Committee meetings, meetings with senior management to discuss strategy, visits to operations, and meetings with employees, customers and other stakeholders. During the 2016 financial year, the Board spent time at the Group's New Zealand operations and whilst there met a range of political, business and other leaders across various industries.

Assessment of Senior Executive Performance

Senior executives are provided with a written employment agreement which sets out the terms and conditions of their appointment. Senior executives' annual performance scorecards are approved by the Board following the Remuneration Committee's review and endorsement at the start of each performance year. Senior executives' annual performance evaluations are conducted following the end of the financial year. For the 2016 financial year, the evaluations were conducted in July 2016. The final overall assessment of performance includes judgement of how the senior executive has performed against each Key Performance Indicator ("KPI") with consideration given to the manner in which the KPI outcomes have been achieved, including the values demonstrated, and risk conduct.

Details on the Group's short and long-term performance approach and outcomes are contained in the Remuneration Report section of the Directors' Report on pages 12 to 34 of the 2016 Financial Report.

Selection of Directors

The Board Performance and Renewal Committee's set of criteria for Director appointments is reviewed annually and adopted by the Board. The criteria is aimed at creating a Board capable of challenging, stretching and motivating management to achieve sustained, outstanding performance in all respects. The Group's aim is to ensure that any new Director is able to contribute to the Board constituting a competitive advantage for the Group. Based on these criteria, each Director should:

- Be capable of operating as part of an effective team;
- Vigorously debate and challenge management in a constructive manner;
- Contribute outstanding performance and exhibit impeccable values;
- Be capable of contributing strongly to risk management, strategy and policy;
- Provide a mix of skills and experience required to challenge and contribute to the future strategy of the Group;
- Be well prepared and receive all necessary education; and
- Provide important and significant insights, input and questions to management from their experience and skill.

Professional intermediaries are engaged, on an as required basis, to identify a diverse range of potential candidates for appointment as Directors based on the identified criteria.

The Board Performance and Renewal Committee assesses the skills, experience and personal qualities of these candidates. It also takes into consideration other attributes, including diversity, to ensure that any appointment decisions adequately reflect the environment in which the Group operates.

Appropriate checks are undertaken prior to appointing a person and recommending that person for election as a Director. These include checks as to the person's character, experience, education, criminal record and bankruptcy history. As a Director is a responsible person under the applicable Australian Prudential Regulation Authority ("APRA") Prudential Standard background checks as to fitness and propriety are carried out before a person is appointed to the Board. The Group has a Board approved "Fit and Proper" Policy.

Candidates who are considered suitable for appointment as Directors by the Board Performance and Renewal Committee are then recommended for decision by the Board and, if appointed, stand for election at the next AGM, in accordance with the Constitution. The Bank includes in the AGM Notice of Meeting all material information known to the Bank which is relevant to a decision whether or not to elect or re-elect a Director.

On behalf of the Bank, the Chairman provides a letter to each new Director upon appointment, setting out the terms of appointment and relevant Board policies. These include time commitment, code of ethics and continuing education. All current Directors have been provided with a letter confirming the terms of their appointment. A copy of the form of the appointment letter is available on the Group's website.

Director Skills and Experience

The skills, experience and expertise of each Director is described in the Directors' Report on pages 3 to 7 of the 2016 Financial Report.

The Board Performance and Renewal Committee, in addition to its role to annually review the criteria for Director appointments, discusses aspects of Board renewal at each Committee meeting, including if there are particular or additional skills that would complement or strengthen the Board's existing skills or expertise in maintaining a Board of excellence. In planning for Director retirements, the particular skills, experience and attributes of retiring Directors are considered, together with the core skills and competencies that the Board requires to meet the developing operational and economic environment, the Bank's strategic objectives and vision and values.

The Directors possess a range of skills which, as a group, enable the Board to discharge its obligations effectively, challenge management and contribute to the Bank's strategic debate. Every Director has had considerable exposure to current corporate governance practices and all Directors possess significant financial acumen, with five (5) of the Directors being qualified accountants.

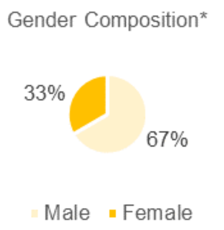
The balance of skills represented by the Directors of the Bank seeks to ensure that there is a good understanding of the business of the Bank and the environment in which it operates. The environment is not restricted to the social and economic circumstances of the marketplace but also the trends in other geographies that might influence the business of the Bank. Similarly, the business of the Bank seeks to leverage skills and experience gained by Directors from other institutions. International and experience of leading organisations in differing sectors adds a richness to the debate and a breadth of thinking that broadens the horizons of the Board. In recent years, the Board has been enhanced with the addition of Directors possessing international experience, technology and legal skills.

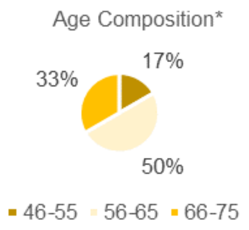
The aggregate mix of skills and experience of Directors seeks to challenge management, ensure robust and constructive debate, augment and challenge the strategic thinking of executives thus adding value to the Bank.

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

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

In addition to the above skills and experience, the Board seeks to ensure that it has a broad and diverse membership bringing different perspectives to Board deliberations. The gender and age demographics of the Board are detailed below.





* Rounded to the nearest whole number

Board Policies

Board policies relevant to the composition of the Board, its Committees and the functions of Directors and Committee Members include that:

- The Board will consist of a majority of independent Non-Executive Directors. The Chairman of the Board will be an independent Non-Executive Director;
- The Board Performance and Renewal Committee will consist of at least three (3) members. All members must be independent Non-Executive Directors. The Chairman of the Board should chair the Committee;
- The Remuneration Committee will consist of at least three (3) members. All members must be independent Non-Executive Directors and have an appropriate level of knowledge and understanding of remuneration practice, including legal and regulatory requirements. The Board will determine the Committee Chairman;
- The Audit Committee will consist of at least three (3) members. All members must be independent Non-Executive Directors and financially literate. The Risk Committee Chairman must be a member of the Audit Committee. The Audit Committee shall be chaired by an independent Non-Executive Director who is not the Chairman of the Board;
- The Risk Committee will consist of at least four (4) members. All members must be independent Non-Executive Directors. The Audit Committee Chairman must be a member of the Risk Committee. The Risk Committee shall be chaired by an independent Non-Executive Director who is not the Chairman of the Board;
- The Board will meet on a regular and timely basis. The meeting agendas and papers will provide adequate information about the affairs of the Group. They also enable the Board to guide and monitor management, and assist in its involvement in discussions and decisions on strategy. Strategic matters are given priority on regular Board meeting agendas. In addition, ongoing strategy is the major focus of at least one Board meeting annually;
- The Directors are entitled to obtain access to Group documents and information, and to meet with management; and
- The Directors are entitled, after appropriate consultation, to seek independent professional advice, at the expense of the Group, to assist them to carry out their duties as Directors. The policy of the Group provides that any such advice is generally made available to all Directors.

Conflicts of Interest

In accordance with the Bank's Constitution and the Corporations Act 2001 ("Corporations Act"), Directors are required to disclose to the Board any material contract in which they may have an interest. In compliance with section 195 of the Corporations Act, any Director with a material personal interest in a matter being considered by the Board will not vote on the matter or be present when the matter is being considered. If the material personal interest is disclosed or identified before a Board or Committee meeting takes place, those Directors will also not receive a copy of any paper dealing with the matter.

Share Trading

The Board has adopted a Group Securities Trading Policy. Under that Policy, Directors are permitted to deal with the Group's securities only within certain periods, as long as they are not in the possession of unpublished price-sensitive information.

These periods generally include the thirty (30) days after the half yearly and final results announcements, and fourteen (14) days after quarterly trading update releases. Trading windows may be varied, suspended or terminated at any time.

The Policy also requires that Directors do not deal on the basis of considerations of a short term nature or to the extent of trading in those securities. Similar restrictions apply to executives of the Group, which is in addition to the prohibition of any trading (including hedging) in positions prior to vesting of shares or options.

Directors and executives who report to the CEO are also prohibited from:

- Any hedging of publicly disclosed shareholding positions; and
- Entering into or maintaining arrangements for margin borrowing, short selling or stock lending, in connection with the securities of the Group.

A copy of the Group Securities Trading Policy is available on the Group's website.

Remuneration

Remuneration Committee

The Remuneration Committee assists the Board to fulfil its responsibilities to shareholders and regulators in relation to remuneration within the Bank and the Group. In general, the Remuneration Committee is responsible for recommending to the Board for approval:

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

The Bank's Remuneration Committee also serves as the remuneration committee for those entities within the Group that are regulated by APRA, and those offshore entities subject to remuneration-related regulation that may delegate their remuneration committee function to the Bank's Remuneration Committee from time to time.

The Remuneration Committee consists solely of independent Non-Executive Directors who are free from any business or other relationship that, in the opinion of the Board, would materially interfere with the exercise of his or her independent judgement as a member of the Remuneration Committee. The minimum number of Committee members is three (3) and the current number of members is six (6). Meetings are chaired by an independent Non-Executive Director.

Remuneration Committee members are expected to have an appropriate level of knowledge and understanding of remuneration practice, as well as legal and regulatory requirements relating to remuneration.

A copy of the Remuneration Committee Charter is available on the Group's website.

The Committee's members are:
Sir David Higgins (Chairman)
Launa Inman
Andrew Mohl
Mary Padbury
Wendy Stops
David Turner

Meetings are held at least quarterly or more frequently as required. Details of the number of times the Remuneration Committee met throughout the 2016 financial year and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the Directors' Report on page 9 of the 2016 Financial Report.

The Remuneration Committee is authorised to appoint independent remuneration experts to advise them on specific remuneration issues, and will do so independently of management.

The Remuneration Committee has free access at all times to risk and financial control personnel and any other parties (internal and external) in carrying out its duties.

The Remuneration Committee has the power to call any individuals to attend Committee meetings.

Remuneration Arrangements

Details of the governance arrangements and policies relevant to remuneration are set out in the Remuneration Report on pages 12 to 34 of the 2016 Financial Report.

Audit

Audit Committee

The Audit Committee assists the Board in fulfilling its statutory, regulatory and fiduciary responsibilities. It provides an objective and non-executive review of the effectiveness of:

- The external reporting of financial information, including the suitability of accounting policies, and the application of accounting requirements;
- The internal control environment of the Group, including the governance of financial, tax and accounting risks;
- The Group's internal audit and external audit functions, including an assessment of the independence, adequacy and effectiveness of these functions; and
- The Group's Risk Management Framework, in conjunction with the Risk Committee.

The Audit Committee consists solely of independent Non-Executive Directors who are financially literate. Members between them have the accounting and financial expertise and sufficient understanding of the financial services industry to be able to discharge the Audit Committee's mandate effectively. The term of each member will be determined by the Board through annual review.

The minimum number of Committee members is three (3) and the current number of members is six (6). Meetings are chaired by an independent Non-Executive Director who is not the Chairman of the Board. The Risk Committee Chairman is a member of the Audit Committee and vice-versa to assist with the flow of relevant information between the two Committees.

A copy of the Audit Committee Charter is available on the Group's website.

The Committee's members are:
Brian Long (Chairman)
Sir John Anderson
Shirish Apte
Launa Inman
Catherine Livingstone
Harrison Young

Meetings are held at least quarterly or more frequently as required. Details of the number of times the Audit Committee met throughout the 2016 financial year and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the Directors' Report on page 9 of the 2016 Financial Report.

The external auditor and the Group's internal auditor are invited to all meetings. Meetings are held from time to time with the external and internal auditor respectively without management or others being present.

The Audit Committee has the power to call attendees to its meetings as required and has open access to management, external and internal auditors and the right to seek explanations and additional information.

Senior management and the external and internal auditor have free and unfettered access to the Audit Committee.

The Committee has the option, with the concurrence of the Chairman of the Board, to retain independent legal, accounting or other advisors, to the extent the Committee considers necessary, at the Group's expense.

Prior to approval of the Group's financial statements for the 2016 financial half and full year, the CEO and the Chief Financial Officer (CFO) gave the Board a declaration that, in their opinion, the financial records of the Group had been properly maintained in accordance with the Corporations Act, that the financial statements and notes are in accordance with the Corporations Act and appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and that their opinion had been formed on the basis of a sound system of risk management and internal compliance and control which was operating effectively.

Internal Audit

The Bank has an Internal Audit function, called Group Audit and Assurance ("GAA"). GAA comprises of three (3) main functions which include Internal Audit, Credit Portfolio Assurance and Retail Network Assurance.

GAA's responsibilities include the following:

- Develop a risk based Annual Audit Plan ("Plan") for approval by the Audit Committee, and adjust the Plan, where necessary, to reflect current and emerging risks and changes in the Group's business, risks, operations, programs, systems and controls;
- Execute the approved Plan in line with the relevant GAA methodologies, and report the results of work performed to senior management and the Audit Committee;
- Issue periodic reports summarising progress against the approved Plan, any significant changes to the Plan, the results of GAA activities including reportable issues (defined as very high or high rated) raised, and other matters that need to be brought to the attention of the Audit Committee;
- Maintain regular and formal dialogue with the external auditors and other assurance functions (e.g. Risk Management) to share knowledge of significant issues, and ensure effective collaboration and appropriate reliance on each other's work;
- Escalate to senior management and the Audit Committee, as appropriate, instances where GAA believes that management has accepted a level of risk in excess of any relevant approved risk appetite;
- Maintain effective relationships with regulators, including providing access to relevant work files in the event of an inspection or if otherwise required by law;
- Maintain a professional team of GAA personnel with appropriate skills, knowledge and experience;
- Maintain an appropriate Quality Assurance programme to ensure the effectiveness and continuous improvement of the GAA function, including annual reporting of the results of internal assessments and independent assessments at least once every five (5) years;
- At the request of management, provide assurance to external parties to meet their respective risk management requirements. GAA will establish in writing the scope and objectives of such assurance, with clear definition of the acceptable use and distribution of the results; and
- Fulfil all regulatory requirements pertaining to GAA.

While maintaining a management reporting line to the CFO, the head of GAA has a direct reporting line to the Audit Committee so as to bring the requisite degree of independence and objectivity to the role.

External Auditor

PricewaterhouseCoopers ("PwC") was appointed as the external auditor of the Bank at the 2007 AGM, effective from the beginning of the 2008 financial year.

The PwC partner managing the Group's external audit will attend the 2016 AGM and be available to respond to shareholder questions relating to the external audit.

In line with current legislation, the Group requires that the partner be changed within five (5) years of being appointed. The lead partner from PwC was changed with effect from 1 July 2012.

The Group and its external auditor must continue to comply with US Auditor independence requirements. US Securities and Exchange Commission ("SEC") rules still apply to various activities that the Group undertakes in the US, even though the Bank is not registered under its Exchange Act.

Non-Audit Services

The External Auditor Services Policy ("Policy") requires the Audit Committee (or its delegate) to approve all audit and non-audit services before engaging the external auditors to perform the work. The Policy also prohibits the external auditors from providing certain services to the Group or its affiliates. The objective of this Policy is to avoid prejudicing the external auditor's independence.

The Policy is designed to ensure that the external auditors do not:

- Assume the role of management or act as an employee;
- Become an advocate for the Group;
- Audit their own work;
- Create a mutual or conflicting interest between themselves and the Group;
- Require an indemnification from the Group to themselves in relation to certain assurance services;
- Seek contingency fees;
- Have a direct financial or business interest or a material indirect financial or business interest in the Group or any of its affiliates, or an employment relationship with the Group or any of its affiliates; or
- Design and implement internal controls over financial reporting and accounting records.

Under the Policy, the external auditor must not provide certain services, including the following services:

- Bookkeeping or other services relating to accounting records or Financial Statements of the Group;
- Financial information systems design and implementation;
- Appraisal or valuation services (other than certain tax only valuation services) and fairness opinions or contribution-in-kind reports;
- Actuarial services unless approved in accordance with independence guidelines;
- Internal audit outsourcing services;
- Management functions, including acting as an employee and secondment arrangements;
- Human resources;

- Broker-dealer, investment adviser or investment banking services;
- Legal services;
- Expert services for the purpose of advocating the interests of the Group;
- Services relating to marketing, planning or opining in favour of the tax treatment of certain transactions;
- Tax services in connection with certain types of tax transactions;
- Tax services to individuals, and any immediate family members of any individuals, in a Financial Reporting Oversight Role;
- Certain corporate recovery and similar services; and
- Certain assurance or other services relating to regulatory investigations or potential contravention of legislation.

In general terms, the permitted services are:

- Audit services to the Group and its subsidiaries;
- Related services connected with the lodgement of statements or documents with the Australian Securities and Investments Commission ("ASIC"), ASX, APRA or other regulatory or supervisory bodies;
- Services reasonably related to the performance of the audit services;
- Agreed-upon procedures or comfort letters provided by the external auditor to third parties in connection with the Group's financing or related activities; and
- Tax and other services pre-approved by the Audit Committee.

Risk Management

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 risk governance structure is illustrated in the diagram "Risk Governance Structure" on page 14 of the June 2016 Pillar 3 Disclosure.

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 Chairman of the Board and Chairman of the Risk Committee to APRA on Risk Management requirements as set out in prudential standard for risk management ("CPS220"). A copy of the Board Charter is available on the Group's website.

Risk Committee

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

- Reviews regular reports from management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal controls systems. Such reviews took place in the 2016 financial year;
- Monitors the health of the Group's risk culture (via both formal reports and through its dialogues with the risk leadership team and executive management) and reports any significant issues to the Board; and
- Forms a view on the independence of the risk function by meeting with the Group Chief Risk Officer ("CRO") at the will of the Committee or the CRO.

The Risk Committee consists solely of independent Non-Executive Directors. The minimum number of Committee members is four (4) and the current number of members is seven (7). Meetings are chaired by an independent Non-Executive Director of the Board. The Audit Committee Chairman is a member of the Risk Committee and vice-versa to ensure the flow of relevant information between the two Committees.

A copy of the Risk Committee Charter is available on the Group's website.

The Committee's members are:

Harrison Young ("Chairman")
David Turner
Sir John Anderson
Shirish Apte
Sir David Higgins
Brian Long
Andrew Mohl

Meetings are held at least quarterly or more frequently as required. Details of the number of times the Risk Committee met throughout the 2016 financial year and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the Directors' Report on page 9 of the 2016 Financial Report.

The Risk Committee will meet the regulators on request. The Risk Committee has the option, with the concurrence of the Chairman of the Board, to retain independent legal, accounting or other advisors, to the extent the Committee considers necessary, at the Group's expense.

Risk Management Framework

The Group has an embedded RMF that enables the appropriate development and implementation of strategies, policies and procedures to manage its risks.

The RMF incorporates the requirements of APRA's prudential standard for risk management ("CPS 220"), and is supported by the three key documentary components:

- The Group's Risk Appetite Statement articulates the type and degree of risk the Board is prepared to accept ("appetite") and the maximum level of risk that the institution must operate within ("tolerances").
- The Group's Business Plan summarises the Group's approach to the implementation of its strategic objectives. The Plan is a rolling three year duration which also takes into consideration material risks arising from its implementation.
- The Group's Risk Management Strategy describes each material risk, the approach taken to managing these risks and how this is operationalised through governance, policies and procedures.

A high-level description of the RMF including the Group's material risks is set out in Note 31 to the Financial Statements on page 100 of the 2016 Financial Report.

Material Exposure to Economic, Environmental and Social Sustainability Risks

There are a number of material business risks that could adversely affect the Group and the achievement of the Group's financial performance objectives. Those risks and how they are managed by the Group are described in Notes 31 to 34 to the Financial Statements on pages 100 to 123 of the 2016 Financial Report.

Continuous Disclosure

Matters which could be expected to have a material effect on the price or value of the Bank's securities must be disclosed under the Corporations Act and the ASX Listing Rules. The Group's Guidelines for Communication between the Bank and Shareholders is available on the Group's website. These set out the processes to ensure that shareholders and the market are provided with full and timely information about the Group's activities in compliance with continuous disclosure requirements.

Continuous disclosure policy and processes are in place throughout the Group to ensure that all material matters which may potentially require disclosure are promptly reported to the CEO. This is achieved via established reporting lines or as part of the deliberations of the Group's Executive Committee. Matters reported are assessed and, where required by the ASX Listing Rules, advised to the market. The Bank's Company Secretary is responsible for communications with the ASX and for ensuring that such information is not released to any person until the ASX has confirmed its release to the market.

Shareholder Communication

The Group believes it is very important for its shareholders to make informed decisions about their investment in the Bank. In order for the market to have an understanding of the business operations and performance, the Group aims to provide shareholders with access to quality information in the form of:

- Interim and final results;
- Annual Reports;
- Shareholder newsletters;
- Matters discussed at the AGM;
- Quarterly trading updates and Business Unit briefings where considered appropriate;
- All other price sensitive information will be released to the ASX in a timely manner;
- The Group's website at www.commbank.com.au; and
- The Group's investor relations app.

The Group employs a wide range of communication approaches, including direct communication with shareholders, publication of all relevant Group information on the shareholder centre section of the website and webcasting of most market briefings for shareholders. Upcoming webcasts are announced to the market via ASX announcements and publicised on the website to enable interested parties to participate. To make its general meetings more accessible to shareholders, the Group moves the location of its AGM between Australian capital cities each year and live webcasts are available for viewing online. The Group has taken these actions to encourage shareholder participation at general meetings. Shareholders have the option to receive communications from, and send communications to, the Bank and its share registry electronically.

The Group has in place an investor relations programme to facilitate effective two way communication with investors. A summary record of issues discussed at one-on-one or group meetings with investors and analysts, including a record of those present, time and venue of the meeting, is kept for internal reference only.

The Group is committed to maintaining a level of disclosure that meets the highest of standards and provides all investors with timely and equal access to information.

Codes of Conduct and Ethics

Our vision to excel at securing and enhancing the financial wellbeing of people, businesses and communities is underpinned by the Group's values: integrity, accountability, collaboration, excellence and service. The Board carries out its legal duties in accordance with these values and having appropriate regard to the interests of the Group's customers, shareholders, people and the broader community in which the Group operates.

Our people are expected to behave in a manner consistent with our values. The expectations of our people are also outlined in policies and codes of conduct that have been established by the Board and management.

The Board operates in a manner reflecting the Group's values and in accordance with its Corporate Governance Guidelines, the Bank's Constitution, the Corporations Act and all other applicable regulations.

The Board employs and requires at all levels impeccable values, honesty and openness. Through its processes it achieves transparent open governance and communications, and it addresses both performance and compliance.

The Board's policies and codes include detailed provisions dealing with:

- The interaction between the Board and management to ensure there is effective communication of the Board's views and decisions, resulting in motivation and focus towards long term shareholder value behaviours and outcomes;
- Disclosure of relevant personal interests so that potential conflict of interest situations can be identified and appropriate action undertaken to avoid compromising the independence of the Board; and
- Security dealings in compliance with the Group's strict guidelines and in accordance with its values of integrity, collaboration, excellence, accountability and service.

Statement of Professional Practice

The Group's code of ethics known as the Statement of Professional Practice, sets standards of behaviour required of all employees including:

- To act properly and efficiently in pursuing the objectives of the Group;
- To avoid situations which may give rise to a conflict of interest;
- To know and adhere to the Group's Equal Employment Opportunity policy and programs;
- To maintain confidentiality in the affairs of the Group and its customers; and
- To be absolutely honest in all professional activities.

These standards are regularly communicated to the Group's people. In addition, the Group Securities Trading Policy is designed to ensure that unpublished price-sensitive information is not used in an illegal manner for personal advantage.

People and Policies

The Group has implemented various policies, processes and systems that are in place to support our people. These include:

- Workplace Conduct ("EEO");
- Work Health and Safety;
- Recruitment and Selection;
- Performance Management;
- Talent Management and Succession Planning;
- Remuneration and Recognition;
- Employee Share Plans; and
- Supporting Professional Development.

Diversity

In late 2015, the Group set a global target to increase the representation of women in Executive Management and above roles to 40% by 2020. As at 30 June 2016, there are 35.2% women in Executive Manager and above roles. Overall, women make up 58% of the Group's workforce and 43.6% of them are in management roles.

In the senior leadership roles, women make up 30.8% of the Executive Committee and 33.3% of the Non-Executive Directors on the Board. The Board has a target of 30% of Board seats to be held by women by the end of 2018.

Workplace Responsibilities, Behaviours and Compliance

The Group is strongly committed to maintaining an ethical workplace, as well as complying with its legal and ethical responsibilities. The Group has various policies, standards and processes relating to workplace responsibilities, behaviours and compliance that apply to, and must be observed by, Group employees.

In support of this, the Group has established a SpeakUP program comprising an independent and externally managed SpeakUP Hotline that encourages the Group's people and suppliers to raise issues (anonymously, confidentially, or as a whistleblower) relating to suspected fraud or corruption, unlawful or improper workplace misconduct or issues generally impacting their wellbeing at work.

Website

The current Charters and summary of Policies and Guidelines referred to in this statement can be viewed at: https://www.commbank.com.au/about-us/shareholders/corporate-profile/corporate-governance.html

Conclusion

The Board recognises that practices and procedures can always be improved. Accordingly, the Group's Corporate Governance Framework is kept under review to take into account changing standards and regulations.

Five Year Financial Summary

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

(1) Comparative information has been restated to 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 investment experience.

Five Year Financial Summary

	2016	2015	2014	2013	2012
Shareholder summary					
Dividends per share - fully franked (cents)	**420**	420	401	364	334
Dividend cover - statutory (times)	**1. 3**	1. 3	1. 3	1. 3	1. 3
Dividend cover - cash (times)	**1. 3**	1. 3	1. 3	1. 3	1. 3
Earnings per share (cents) (1)					
Basic					
Statutory	**542. 5**	553. 7	530. 6	474. 2	444. 2
Cash basis	**555. 1**	557. 5	532. 7	482. 1	444. 7
Fully diluted					
Statutory	**529. 5**	539. 6	518. 9	461. 0	428. 5
Cash basis	**541. 5**	543. 2	521. 0	468. 6	429. 0
Dividend payout ratio (%)					
Statutory	**78. 3**	75. 7	75. 5	77. 4	76. 0
Cash basis	**76. 5**	75. 1	75. 1	75. 9	75. 8
Net tangible assets per share ($)	**29. 1**	25. 5	23. 5	20. 9	18. 8
Weighted average number of shares (statutory basic) (M) (1)	**1,692**	1,627	1,618	1,598	1,570
Weighted average number of shares (statutory fully diluted) (M) (1)	**1,771**	1,711	1,691	1,686	1,674
Weighted average number of shares (cash basic) (M) (1)	**1,693**	1,630	1,621	1,601	1,573
Weighted average number of shares (cash fully diluted) (M) (1)	**1,772**	1,714	1,694	1,689	1,677
Number of shareholders	**820,968**	787,969	791,564	786,437	792,906
Share prices for the year ($)					
Trading high	**88. 88**	96. 69	82. 68	74. 18	53. 80
Trading low	**69. 79**	73. 57	67. 49	53. 18	42. 30
End (closing price)	**74. 37**	85. 13	80. 88	69. 18	53. 10
Performance ratios (%)					
Return on average Shareholders' equity					
Statutory	**16. 2**	18. 2	18. 7	18. 0	18. 5
Cash basis	**16. 5**	18. 2	18. 7	18. 2	18. 4
Return on average total assets					
Statutory	**1. 0**	1. 1	1. 1	1. 0	1. 0
Cash basis	**1. 0**	1. 1	1. 1	1. 1	1. 0
Capital adequacy - Common Equity Tier 1 - Basel III (APRA)	**10. 6**	9. 1	9. 3	8. 2	n/a
Capital adequacy - Tier 1 - Basel III (APRA)	**12. 3**	11. 2	11. 1	10. 3	n/a
Capital adequacy - Tier 2 - Basel III (APRA)	**2. 0**	1. 5	0. 9	0. 9	n/a
Capital adequacy - Total - Basel III (APRA)	**14. 3**	12. 7	12. 0	11. 2	n/a
Capital adequacy - Tier One - Basel II	**n/a**	n/a	n/a	n/a	10. 0
Capital adequacy - Tier Two - Basel II	**n/a**	n/a	n/a	n/a	1. 0
Capital adequacy - Total - Basel II	**n/a**	n/a	n/a	n/a	11. 0
Leverage Ratio Basel III (APRA) (%) (2)	**5. 0**	n/a	n/a	n/a	n/a
Liquidity Coverage Ratio (%)	**120. 0**	120. 0	n/a	n/a	n/a
Net interest margin (3)	**2. 07**	2. 09	2. 14	2. 13	2. 09
Other information (numbers)					
Full-time equivalent employees	**45,129**	45,948	44,329	44,969	44,844
Branches/services centres (Australia)	**1,131**	1,147	1,150	1,166	1,167
Agencies (Australia)	**3,654**	3,670	3,717	3,764	3,818
ATMs	**4,381**	4,440	4,340	4,304	4,213
EFTPOS terminals (active)	**217,981**	208,202	200,733	181,227	175,436
Productivity (4)					
Total operating income per full-time (equivalent) employee ($)	**545,237**	508,578	500,034	459,583	430,983
Employee expense/Total operating income (%)	**25. 1**	24. 9	25. 0	25. 3	26. 1
Total operating expenses/Total income (%)	**42. 4**	42. 8	42. 9	43. 6	44. 6

(1) Comparative information has been restated to incorporate the bonus element of the September 2015 $5.1 billion institutional and retail entitlement offer in the weighted average number of ordinary shares.
(2) As the Group commenced disclosure of its leverage ratio at 30 September 2015, no comparatives have been presented.
(3) Comparative information has been restated for 2015 and 2014 to align to presentation in the current period. Refer to "Disclosures – Financial Information Definitions – Reclassification of certain Income Statement and Balance Sheet Information" and Appendix C of this Document for further details.
(4) The productivity metrics have been calculated on a cash basis.

For the purposes of providing investors with a thorough understanding of the Group's performance, this Appendix provides relevant financial year 2012 and 2013 information not provided within the 2016 Financial Report.

Provisions for Impairment

Provisions for impairment losses	2013 $M	2012 $M
Collective provision		
Opening balance	2,837	3,043
Net collective provision funding	559	312
Impairment losses written off	(695)	(740)
Impairment losses recovered	154	228
Other	3	(6)
Closing balance	2,858	2,837
Individually assessed provisions		
Opening balance	2,008	2,125
Net new and increased individual provisioning	937	1,202
Write-back of provisions no longer required	(350)	(425)
Discount unwind to interest income	(90)	(122)
Other	317	365
Impairment losses written off	(1,194)	(1,137)
Closing balance	1,628	2,008
Total provisions for impairment losses	4,486	4,845
Less: Off Balance Sheet provisions	(31)	(18)
Total provisions for loan impairment	4,455	4,827

Provision ratios	2013 %	2012 %
Collective provision as a % of credit risk weighted assets - Basel II	-	1. 09
Total provision as a % of credit risk weighted assets - Basel II	-	1. 85
Total provisions for impaired assets as a % of gross impaired assets	40. 6	45. 5
Total provisions for impairment losses as a % of gross loans and acceptances	0. 79	0. 89

Credit Risk Management

The following tables set out the Group's impaired asset position by industry and asset class as at 30 June 2014, 2013 and 2012.

							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	(145)	115	677	(106)	571
Asset Financing	8,078	85	(30)	55	37	(5)	32
Other commercial and industrial	110,453	1,090	(620)	470	568	(27)	541
Total Australia	526,438	2,619	(1,166)	1,453	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	(8)	3	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	(100)	451	106	(17)	89
Gross balances	603,100	3,170	(1,266)	1,904	1,813	(165)	1,648

Credit Risk Management (continued)

							2013
	Loans	Gross Impaired Loans	Total Provisions for Impaired Assets	Net Impaired Loans	Write-offs	Recoveries	Net Write-offs
Industry	$M	$M	$M	$M	$M	$M	$M
Australia							
Sovereign	1,971	-	-	-	-	-	-
Agriculture	5,971	398	(168)	230	30	-	30
Bank and other financial	7,929	300	(217)	83	79	(8)	71
Home Loans	338,023	924	(182)	742	217	(4)	213
Construction	2,634	110	(89)	21	139	-	139
Other Personal	21,796	255	(142)	113	622	(113)	509
Asset Financing	8,414	58	(23)	35	25	(6)	19
Other commercial and industrial	110,545	1,494	(871)	623	686	(13)	673
Total Australia	497,283	3,539	(1,692)	1,847	1,798	(144)	1,654
Overseas							
Sovereign	9,670	-	-	-	-	-	-
Agriculture	6,480	142	(16)	126	4	-	4
Bank and other financial	7,029	36	(5)	31	10	(1)	9
Home Loans	34,817	171	(17)	154	21	(1)	20
Construction	301	4	-	4	-	-	-
Other Personal	863	9	(3)	6	25	(8)	17
Asset Financing	274	4	-	4	-	-	-
Other commercial and industrial	6,041	81	(26)	55	31	-	31
Total overseas	65,475	447	(67)	380	91	(10)	81
Gross balances	562,758	3,986	(1,759)	2,227	1,889	(154)	1,735

Credit Risk Management (continued)

							2012
		Gross	Total	Net			
		Impaired	Provisions for	Impaired			Net
	Loans	Loans	Impaired Assets	Loans	Write-offs	Recoveries	Write-offs
Industry	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Australia							
Sovereign	1,619	-	-	-	-	-	-
Agriculture	5,251	224	(89)	135	32	-	32
Bank and other financial	10,225	341	(235)	106	51	(17)	34
Home Loans	322,918	910	(256)	654	88	(5)	83
Construction	2,796	218	(152)	66	45	-	45
Other Personal	21,772	212	(131)	81	657	(147)	510
Asset Financing	8,214	53	(14)	39	38	(17)	21
Other commercial and industrial	104,330	2,193	(1,163)	1,030	884	(30)	854
Total Australia	477,125	4,151	(2,040)	2,111	1,795	(216)	1,579
Overseas							
Sovereign	10,235	-	-	-	-	-	-
Agriculture	5,198	56	(7)	49	5	-	5
Bank and other financial	3,156	79	(6)	73	1	-	1
Home Loans	30,063	162	(28)	134	24	-	24
Construction	345	-	-	-	-	-	-
Other Personal	656	10	(3)	7	19	(8)	11
Asset Financing	468	7	-	7	-	-	-
Other commercial and industrial	5,134	97	(47)	50	33	(4)	29
Total overseas	55,255	411	(91)	320	82	(12)	70
Gross balances	532,380	4,562	(2,131)	2,431	1,877	(228)	1,649

Credit Risk Management (continued)

The following tables set out the Group's credit risk by industry and asset class as at 30 June 2014, 2013 and 2012.

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	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) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Credit Risk Management (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

	At 30 June 2013									
	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	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	-	-	5,857	-	-	-	-	-	-	5,857
Receivables due from other financial institutions	-	-	3,808	-	-	-	-	-	-	3,808
Assets at fair value through Income Statement:										
Trading	9,726	-	1,078	-	-	-	-	2,406	-	13,210
Insurance [(1)]	945	-	8,013	-	-	-	-	3,487	-	12,445
Other	44	-	145	-	-	-	-	-	-	189
Derivative assets	422	33	35,189	-	42	-	-	4,539	-	40,225
Available-for-sale investments	28,587	-	23,311	-	-	-	-	859	-	52,757
Loans, bills discounted and other receivables	1,971	5,971	7,929	338,023	2,634	21,796	8,414	110,545	-	497,283
Bank acceptances	3	2,770	190	-	554	-	-	2,537	-	6,054
Other assets [(2)]	98	22	1,802	770	7	49	12	469	17,607	20,836
Total on Balance Sheet Australia	41,796	8,796	87,322	338,793	3,237	21,845	8,426	124,842	17,607	652,664
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1,430	46	192	-	726	-	-	2,935	-	5,329
Loan commitments	919	1,470	1,905	60,584	1,615	18,625	-	37,686	-	122,804
Other commitments	123	22	3,477	-	538	-	-	1,903	-	6,063
Total Australia	44,268	10,334	92,896	399,377	6,116	40,470	8,426	167,366	17,607	786,860
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	-	-	14,777	-	-	-	-	-	-	14,777
Receivables due from other financial institutions	-	-	3,936	-	-	-	-	-	-	3,936
Assets at fair value through Income Statement:										
Trading	493	-	798	-	-	-	-	5,116	-	6,407
Insurance [(1)]	-	-	1,914	-	-	-	-	-	-	1,914
Other	587	-	131	-	-	-	-	-	-	718
Derivative assets	474	15	3,481	-	-	-	-	1,145	-	5,115
Available-for-sale investments	5,460	-	1,359	-	-	-	-	25	-	6,844
Loans, bills discounted and other receivables	9,670	6,480	7,029	34,817	301	863	274	6,041	-	65,475
Bank acceptances	-	-	-	-	-	-	-	9	-	9
Other assets [(2)]	24	1	426	1	1	-	2	36	1,617	2,108
Total on Balance Sheet overseas	16,708	6,496	33,851	34,818	302	863	276	12,372	1,617	107,303
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	7	2	43	-	45	-	-	270	-	367
Loan commitments	388	447	132	4,066	729	1,383	-	10,015	-	17,160
Other commitments	76	5	191	-	10	-	75	796	-	1,153
Total overseas	17,179	6,950	34,217	38,884	1,086	2,246	351	23,453	1,617	125,983
Total gross credit risk	61,447	17,284	127,113	438,261	7,202	42,716	8,777	190,819	19,224	912,843

(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) Other assets predominantly comprises assets which do not give rise to credit risk exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Credit Risk Management (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

At 30 June 2012

	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	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	-	-	7,519	-	-	-	-	-	-	7,519
Receivables due from other financial institutions	-	-	6,135	-	-	-	-	-	-	6,135
Assets at fair value through Income Statement:										
Trading	5,560	-	975	-	-	-	-	2,416	-	8,951
Insurance (1)	929	-	8,476	-	-	-	-	3,413	-	12,818
Other	-	-	6	-	-	-	-	-	-	6
Derivative assets	311	66	30,138	-	31	-	-	4,846	-	35,392
Available-for-sale investments	25,639	-	26,604	-	-	-	-	479	-	52,722
Loans, bills discounted and other receivables	1,619	5,251	10,225	322,918	2,796	21,772	8,214	104,330	-	477,125
Bank acceptances	3	2,886	191	-	603	-	-	6,032	-	9,715
Other assets (2)	37	61	184	1,165	11	32	17	480	14,023	16,010
Total on Balance Sheet Australia	34,098	8,264	90,453	324,083	3,441	21,804	8,231	121,996	14,023	626,393
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1,241	34	258	14	903	-	-	2,766	-	5,216
Loan commitments	1,117	814	2,082	57,158	1,903	18,923	-	32,674	-	114,671
Other commitments	96	13	1,770	4	725	-	-	2,042	-	4,650
Total Australia	36,552	9,125	94,563	381,259	6,972	40,727	8,231	159,478	14,023	750,930
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	-	-	12,147	-	-	-	-	-	-	12,147
Receivables due from other financial institutions	-	-	4,751	-	-	-	-	-	-	4,751
Assets at fair value through Income Statement:										
Trading	407	-	859	-	-	-	-	3,599	-	4,865
Insurance (1)	-	-	1,707	-	-	-	-	-	-	1,707
Other	967	-	7	-	-	-	-	-	-	974
Derivative assets	225	1	3,157	-	-	-	-	792	-	4,175
Available-for-sale investments	6,948	-	1,156	-	-	-	-	1	-	8,105
Loans, bills discounted and other receivables	10,235	5,198	3,156	30,063	345	656	468	5,134	-	55,255
Bank acceptances	-	-	-	-	-	-	-	2	-	2
Other assets (2)	19	1	5,378	1	-	-	1	37	1,746	7,183
Total on Balance Sheet overseas	18,801	5,200	32,318	30,064	345	656	469	9,565	1,746	99,164
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	-	1	2	-	12	-	-	127	-	142
Loan commitments	392	375	197	3,849	168	1,172	-	7,009	-	13,162
Other commitments	71	1	-	-	3	-	-	1,032	-	1,107
Total overseas	19,264	5,577	32,517	33,913	528	1,828	469	17,733	1,746	113,575
Total gross credit risk	55,816	14,702	127,080	415,172	7,500	42,555	8,700	177,211	15,769	864,505

(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) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in “Other” for the purpose of reconciling to the Balance Sheet.

Credit Risk Management (continued)

Large Exposures

Concentrations of exposure to any debtor or counterparty group are controlled by a large credit exposure policy which defines a graduated limit framework that restricts credit limits based on the internally assessed risk of the client, the type of client and the security cover and facility cover. All exposures outside the policy require approval by the Executive Risk Committee and are reported to the Board Risk Committee.

The following table shows the aggregated number of the Group's Corporate and Industrial counterparty exposures (including direct and contingent exposures) which individually were greater than 5% of the Group's capital resources (Tier One and Tier Two capital):

	2014	2013	2012
	Number	Number	Number
5% to less than 10% of the Group's capital resources	2	-	1
10% to less than 15% of the Group's capital resources	-	-	-

Asset Quality

Financial assets individually assessed as impaired

	2014			2013		
	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	755	(151)	604	946	(182)	764
Other Personal	261	(145)	116	255	(142)	113
Asset Financing	85	(30)	55	58	(23)	35
Other commercial and industrial	1,630	(840)	790	2,620	(1,345)	1,275
Financial assets individually assessed as impaired - Australia	2,731	(1,166)	1,565	3,879	(1,692)	2,187
Overseas						
Loans and other receivables:						
Housing Loans	143	(11)	132	171	(18)	153
Other Personal	11	(8)	3	9	(3)	6
Asset Financing	2	-	2	4	-	4
Other commercial and industrial	480	(81)	399	267	(46)	221
Financial assets individually assessed as impaired - overseas	636	(100)	536	451	(67)	384
Total financial assets individually assessed as impaired	3,367	(1,266)	2,101	4,330	(1,759)	2,571

	2013			2012		
	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M
Australia						
Loans and other receivables:						
Housing Loans	946	(182)	764	919	(256)	663
Other Personal	255	(142)	113	212	(131)	81
Asset Financing	58	(23)	35	53	(14)	39
Other commercial and industrial	2,620	(1,345)	1,275	3,079	(1,639)	1,440
Financial assets individually assessed as impaired - Australia	3,879	(1,692)	2,187	4,263	(2,040)	2,223
Overseas						
Loans and other receivables:						
Housing loans	171	(18)	153	163	(28)	135
Other Personal	9	(3)	6	10	(3)	7
Asset Financing	4	-	4	7	-	7
Other commercial and industrial	267	(46)	221	244	(60)	184
Financial assets individually assessed as impaired - overseas	451	(67)	384	424	(91)	333
Total financial assets individually assessed as impaired	4,330	(1,759)	2,571	4,687	(2,131)	2,556

Asset Quality (continued)

	Australia 2014 $M	Overseas 2014 $M	Total 2014 $M
Non-Performing Loans by Size of Loan			
Less than $1 million	1,203	160	1,363
$1 million to $10 million	902	125	1,027
Greater than $10 million	626	351	977
Total	2,731	636	3,367

	Australia 2013 $M	Overseas 2013 $M	Total 2013 $M	Australia 2012 $M	Overseas 2012 $M	Total 2012 $M
Non-Performing Loans by Size of Loan						
Less than $1 million	1,359	185	1,544	1,108	186	1,294
$1 million to $10 million	1,159	146	1,305	1,359	110	1,469
Greater than $10 million	1,361	120	1,481	1,796	128	1,924
Total	3,879	451	4,330	4,263	424	4,687

Average Balances and Related Interest

			2014
	Avg Bal	Income	Yield
Net interest margin	$M	$M	%
Total interest earning assets	705,371	33,645	4. 77
Total interest bearing liabilities	661,733	18,544	2. 80
Net interest income and interest spread		15,101	1. 97
Benefit of free funds			0. 17
Net interest margin			2. 14

Appendix A – Additional Historical Information

Loans, Advances and Other Receivables

	2014 $M	2013 $M	2012 $M
Australia			
Overdrafts	23,350	20,039	21,497
Home loans (1)	360,218	338,023	322,918
Credit card outstandings	11,736	11,457	11,149
Lease financing	4,162	4,328	4,250
Bills discounted (2)	19,244	22,017	16,777
Term loans	107,380	101,141	99,902
Other lending	348	271	625
Other securities	-	7	7
Total Australia	526,438	497,283	477,125
Overseas			
Overdrafts	1,230	1,098	891
Home loans (1)	39,467	34,817	30,063
Credit card outstandings	803	676	603
Lease financing	339	392	478
Term loans	34,823	28,492	23,220
Total overseas	76,662	65,475	55,255
Gross loans, bills discounted and other receivables	603,100	562,758	532,380
Less			
Provisions for Loan Impairment (Note 13 of the Financial Statements):			
Collective provision	(2,739)	(2,827)	(2,819)
Individually assessed provisions	(1,127)	(1,628)	(2,008)
Unearned income:			
Term loans	(802)	(900)	(1,032)
Lease financing	(651)	(755)	(839)
	(5,319)	(6,110)	(6,698)
Net loans, bills discounted and other receivables	597,781	556,648	525,682

(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	2014 $M	2013 $M	2012 $M
Minimum lease payments receivable:			
Not later than one year	908	1,390	1,235
Later than one year but not later than five years	2,459	2,736	2,592
Later than five years	483	595	901
Total finance leases	3,850	4,721	4,728

Deposits and Other Public Borrowings

	2014 $M
Australia	
Certificates of deposit	43,912
Term deposits	150,406
On demand and short term deposits	227,555
Deposits not bearing interest	9,971
Securities sold under agreements to repurchase	9,925
Total Australia	441,769
Overseas	
Certificates of deposit	6,286
Term deposits	28,703
On demand and short term deposits	19,054
Deposits not bearing interest	2,504
Securities sold under agreements to repurchase	36
Total overseas	56,583
Total deposits and other public borrowings	498,352

Appendix B – Market Share 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 Banking Stats + separately reported subsidiaries: Wallaby Trust, Residential Group Mortgage Group P/L and Homepath P/L RBA Total Housing Loans (incl. securitisations) (includes Banks and non-banks)
Credit cards (RBA)	CBA Personal Credit Card Lending ("APRA") Credit Cards excluding those issued to Business, with Interest free period + without interest free period (from RBA market which includes NBFI's unlike APRA)
Consumer finance (other household lending)	CBA Lending to Individuals which includes: Personal Loans, Margin Lending, Personal Leasing, Revolving Credit and Overdrafts 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) Household Deposits (from 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 corporation's sector (as per lending balances submitted to APRA in ARF 320.0) (this includes some Housing Loans) Total loans to the Non-Financial Corporations sector (from APRA Monthly Banking stats 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, RFCs and Governments Total of business lending category of the RBA Aggregate 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 Stats back series)
Asset Finance	CBA Leasing as reported to Australian Equipment Lessors Association ("AELA") Total AELA Leasing Market including major competitors
Equities trading	Twelve months rolling average of total value of equities trades 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 Plan for Life)
FirstChoice Platform	Total funds in FirstChoice platform Total funds in platform/masterfund market (from Plan for Life)
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 Plan for Life)
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 Plan for Life)

Market Share Definitions (continued)

New Zealand

Measure	Numerator	Denominator
Home Loans	All ASB residential mortgages to personal customers for housing purposes (including off Balance Sheet)	Total New Zealand residential mortgages to personal customers for housing purposes (from New Zealand Reserve Bank)
Retail deposits	All New Zealand dollar retail deposits on ASB Balance Sheet	Total New Zealand dollar retail deposits of all New Zealand registered banks (from New Zealand Reserve Bank)
Business Lending	All New Zealand dollar claims on ASB Balance Sheet excluding Agriculture, Finance, Insurance, Government, Household and Non-Resident sector loans	Total New Zealand dollar credit to the resident business sector, based on Australia New Zealand Standard Industrial Classification ("ANZSIC") excluding the following: Agriculture, Finance, Insurance, General Government, Household and Non-Resident sector loans (from New Zealand Reserve Bank)
Retail FUA	Total ASB FUA + Sovereign FUA	Total Market net Retail FUA (from Fund Source Research Limited)
Annual inforce premiums	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)

Appendix C – Disclosure Changes

Disclosure Changes

The Group has made a number of changes to disclosures within this Document.

During the current year, the Group has made the following changes to financial reporting; reflected in this Document:

- **Re-segmentation and Allocations** – Minor refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments, including updated transfer pricing allocations and realignment between Institutional Banking and Markets and Group Treasury.
- **ASB Interest Expense** – ASB's interest expense disclosure was changed to include the impact of hedging offshore debt, previously recognised in Other banking income.
- **Funds Under Administration ("FUA")** – The Group amended its approach used to determine FUA to align with market convention.
- **Earnings per Share** – In accordance with the requirements of AASB 133 'Earnings per Share', the calculation of basic and diluted earnings per share for all periods presented has been adjusted retrospectively to incorporate the bonus element of the September 2015 $5.1 billion institutional and retail entitlement offer.
- **Fixed Rate Prepayment Recoveries on Home Loans and Deposit Products** – The Group reclassified fixed rate prepayment recoveries on home loans and deposit products, from Other banking income to Net interest income to align with the associated hedge costs. This resulted in a $62 million prior year reclassification.
- **Funding Sources** – The Group amended its funding sources disclosure to align amounts presented as short-term wholesale funding with peer bank reporting and international best practice.

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 2015							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	IFS and Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M
Statutory NPAT - as published	3,867	1,459	1,268	622	908	700	239	**9,063**
Restatements:								
Re-segmentation and allocations	127	36	17	3	17	43	(243)	-
Statutory NPAT - as restated	**3,994**	**1,495**	**1,285**	**625**	**925**	**743**	**(4)**	**9,063**

Segment Statutory NPAT (impact by P&L line item)

	Full Year Ended 30 June 2015							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	IFS and Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M
Statutory NPAT - as published	3,867	1,459	1,268	622	908	700	239	**9,063**
Restatements:								
Increase/(decrease) in Total operating income	165	82	(17)		24	63	(317)	
(Increase)/decrease in Operating expenses	17	(31)	43			(2)	(27)	
(Increase)/decrease in Investment Experience				5			(5)	
(Increase)/decrease in Corporate tax expense	(55)	(15)	(9)	(2)	(7)	(18)	106	
Statutory NPAT - as restated	**3,994**	**1,495**	**1,285**	**625**	**925**	**743**	**(4)**	**9,063**

Segment Balance Sheet

	As at 30 June 2015							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Man-agement	New Zealand	Bankwest	IFS and Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M
Total Assets - as published	310,313	98,392	181,919	20,792	69,608	79,141	113,281	**873,446**
Increase/(decrease)	(770)	598	(16,956)	-	-	348	16,780	**-**
Total Assets - as restated	**309,543**	**98,990**	**164,963**	**20,792**	**69,608**	**79,489**	**130,061**	**873,446**
Total Liabilities - as published	221,018	71,138	162,054	24,652	62,488	49,499	229,604	**820,453**
Increase/(decrease)	932	(32)	(18,893)	3	-	-	17,990	**-**
Total Liabilities - as restated	**221,950**	**71,106**	**143,161**	**24,655**	**62,488**	**49,499**	**247,594**	**820,453**

Segment Cost to Income Ratios

	Full Year Ended 30 June 2015							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Man-agement	New Zealand [(1)]	Bankwest	IFS and Other	Group
	%	%	%	%	%	%	%	%
Statutory operating expenses to total operating income - as published	34.9	38.4	35.9	66.5	40.3	47.5	80.1	**42. 5**
Statutory operating expenses to total operating income - as restated	34.1	38.4	34.6	66.4	39.4	46.0	114.7	**42. 5**

(1) Metric calculated in New Zealand dollar terms

Appendix D – Shareholding Information

Top 20 Holders of Fully Paid Ordinary Shares as at 5 August 2016

Rank	Name of Holder	Number of Shares	%
1	HSBC Custody Nominees (Australia) Limited	295,339,382	17.22
2	J P Morgan Nominees Australia Limited	182,660,882	10.65
3	National Nominees Limited	100,493,201	5.86
4	Citicorp Nominees Pty Limited	100,457,862	5.86
5	BNP Paribas Nominees Pty Limited	55,488,308	3.24
6	Bond Street Custodians Limited	22,950,957	1.34
7	RBC Dexia Investor Services Australia Nominees Pty Limited	16,932,163	0.99
8	Australian Foundation Investment Company limited	7,900,000	0.46
9	Navigator Australia Limited	3,920,319	0.23
10	Argo Investments Limited	3,203,731	0.19
11	Milton Corporation Limited	3,111,148	0.18
12	Pacific Custodians Pty Limited	2,865,992	0.17
13	UBS Nominees Pty Ltd	2,419,038	0.14
14	Nulis Nominees (Australia) Limited	2,258,286	0.13
15	Invia Custodian Pty Limited	1,938,770	0.11
16	Netwealth Investments Limited	1,765,984	0.10
17	IOOF Investment Management Limited	1,689,445	0.10
18	Mr. Barry Martin Lambert	1,643,613	0.10
19	McCusker Holdings Pty Ltd	1,451,000	0.08
20	ANZ Executors & Trustee	1,411,899	0.08

The top 20 shareholders hold 809,901,980 shares which is equal to 47.22% of the total shares on issue.

Substantial Shareholding

As at 5 August 2016 there were no shareholders who had a 'substantial holding' of our shares within the meaning of the Corporations Act. A person has a substantial holding of our shares if the total votes attached to our voting shares in which they or their associates have relevant interests is 5% or more of the total number of votes attached to all our voting shares. The above table of the Top 20 ordinary shareholders includes shareholders that may hold shares for the benefit of third parties.

Stock Exchange Listing

The shares of the Commonwealth Bank of Australia ("Bank") are listed on the Australian Securities Exchange under the trade symbol CBA, with Sydney being the home exchange.

Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank. The Bank is not currently in the market conducting an on market buy-back of its shares.

Range of Shares (Fully Paid Ordinary Shares and Employee Shares) as at 5 August 2016

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	599,302	73.12	191,078,177	11.14
1,001 – 5,000	192,068	23.43	397,721,422	23.19
5,001 – 10,000	19,645	2.40	133,255,192	7.77
10,001 – 100,000	8,410	1.03	158,786,770	9.26
100,001 and over	188	0.02	834,300,616	48.64
Total	819,613	100.00	1,715,142,177	100.00
Less than marketable parcel of $500	15,120	1.84	44,968	0.00

Voting Rights

Under the Bank's Constitution, each person who is a voting Equity holder and who is present at a general meeting of the Bank in person or by proxy, attorney or official representative is entitled:

- On a show of hands – to one vote; and
- On a poll – to one vote for each share held or represented. Every voting Equity holder who casts a vote by direct vote, shall also have one vote for each share held or represented.

If a person present at a general meeting represents personally or by proxy, attorney or official representative more than one Equity holder, on a show of hands the person is entitled to one vote even though he or she represents more than one Equity holder.

If an Equity holder is present in person and votes on a resolution, any proxy or attorney of that Equity holder is not entitled to vote.

If more than one official representative or attorney is present for an Equity holder:

- None of them is entitled to vote on a show of hands; and

- On a poll only one official representative may exercise the Equity holder's voting rights and the vote of each attorney shall be of no effect unless each is appointed to represent a specified proportion of the Equity holder's voting rights, not exceeding in aggregate 100%.

If an Equity holder appoints two proxies and both are present at the meeting:

- If the appointment does not specify the proportion or number of the Equity holder's votes each proxy may exercise, then each proxy may exercise one half of the Equity holder's votes;
- Neither proxy shall be entitled to vote on a show of hands; and
- On a poll each proxy may only exercise votes in respect of those shares or voting rights the proxy represents.

Top 20 Holders of Perpetual Exchangeable Resaleable Listed Securities VI ("PERLS VI") as at 5 August 2016

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	840,273	4.20
2	Bond Street Custodians Limited	401,213	2.01
3	BNP Paribas Nominees Pty Limited	266,000	1.33
4	IOOF Investment Management Limited – Superannuation	257,524	1.29
5	J P Morgan Nominees Australia Limited	177,903	0.89
6	Netwealth Investments Limited	172,473	0.86
7	National Nominees Limited	154,205	0.77
8	Australian Executor Trustees Limited	136,855	0.68
9	Nulis Nominees (Australia) Limited	134,893	0.67
10	Citicorp Nominees Pty Limited	103,367	0.52
11	Dimbulu Pty Ltd	100,000	0.50
12	Eastcote Pty Limited	100,000	0.50
13	Navigator Australia Limited	88,428	0.44
14	V S Access Pty Ltd	80,000	0.40
15	RBC Dexia Investor Services Australia Nominees Pty Limited	68,006	0.34
16	Marento Pty Ltd	52,916	0.26
17	Junax Capital Pty Ltd	47,000	0.24
18	Pamdale Investments Pty Ltd	46,860	0.23
19	Invia Custodian Pty Limited	46,812	0.23
20	IOOF Investment Management Limited – Independent	37,423	0.19

The top 20 PERLS VI security holders hold 3,312,151 securities which is equal to 16.56% of the total securities on issue.

Stock Exchange Listing

PERLS VI are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPC. Details of trading activity are published in most daily newspapers.

Range of Securities (PERLS VI) as at 5 August 2016

Range	Number of Security Holders	Percentage of Security Holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	27,298	90.14	8,760,455	43.80
1,001 – 5,000	2,685	8.87	5,485,551	27.43
5,001 – 10,000	201	0.66	1,506,138	7.53
10,001 – 100,000	92	0.30	2,188,451	10.94
100,001 and over	9	0.03	2,059,405	10.30
Total	30,285	100.00	20,000,000	100.00
Less than marketable parcel of $500	5	0.02	13	0.00

Voting Rights

PERLS VI do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 132 and 133 for the Bank's ordinary shares.

Appendix D – Shareholding Information

Top 20 Holders of CommBank PERLS VII Capital Notes ("PERLS VII") as at 5 August 2016

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	1,948,603	6.50
2	Bond Street Custodians Limited	491,600	1.64
3	Pejr Pty Ltd	450,917	1.50
4	J P Morgan Nominees Australia Limited	373,256	1.24
5	National Nominees Limited	359,035	1.20
6	IOOF Investment Management	336,582	1.12
7	Netwealth Investments Limited	293,309	0.98
8	BNP Paribas Nominees Pty Limited	286,389	0.95
9	Citicorp Nominees Pty Limited	248,954	0.83
10	RBC Dexia Investor Services Australia Nominees Pty Limited	201,059	0.67
11	Nulis Nominees (Australia) Limited	188,869	0.63
12	Navigator Australia Limited	186,561	0.62
13	Australian Executor Trustees Limited	136,948	0.46
14	Dimbulu Pty Ltd	100,000	0.33
15	Invia Custodian Pty Limited	99,186	0.33
16	Simply Brilliant Pty Ltd	90,500	0.30
17	Randazzo C & G Developments Pty Ltd	84,286	0.28
18	Paul Lederer Pty Ltd	84,211	0.28
19	Trend Equities Pty Ltd	80,934	0.27
20	Tsco Pty Ltd	80,000	0.27

The top 20 PERLS VII security holders hold 6,121,199 securities which is equal to 20.40% of the total securities on issue.

Stock Exchange Listing

PERLS VII are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPD. Details of trading activity are published in most daily newspapers.

Range of Securities (PERLS VII) as at 5 August 2016

Range	Number of Security holders	Percentage of Security holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	29,257	87.00	10,114,784	33.72
1,001 – 5,000	3,862	11.49	8,104,784	27.02
5,001 – 10,000	292	0.87	2,156,146	7.19
10,001 – 100,000	202	0.60	4,891,716	16.31
100,001 and over	14	0.04	4,732,570	15.78
Total	33,627	100.00	30,000,000	100.00
Less than marketable parcel of $500	11	0.03	42	0.00

Voting Rights

PERLS VII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 132 and 133 for the Bank's ordinary shares.

Top 20 Holders of CommBank PERLS VIII Capital Notes ("PERLS VIII") as at 5 August 2016

Rank	Name of Holder	Number of Securities	%
1	BNP Paribas Nominees Pty Limited	2,951,095	20.35
2	HSBC Custody Nominees (Australia) Limited	668,623	4.61
3	Goodridge Nominees Pty Ltd	264,827	1.83
4	J P Morgan Nominees Australia Limited	253,142	1.75
5	Bond Street Custodians Limited	106,259	0.73
6	G Harvey Nominees Pty Ltd	100,000	0.69
7	Mr. Walter Lawton & Mr. Brett Lawton	93,228	0.64
8	Piek Holdings Pty Ltd	93,000	0.64
9	Snowside Pty Ltd	77,500	0.53
10	Citicorp Nominees Pty Limited	61,737	0.43
11	The Australian National University	59,361	0.41
12	V S Access Pty Ltd	57,140	0.39
13	Nulis Nominees (Australia) Limited	53,637	0.37
14	Netwealth Investments Limited	51,578	0.36
15	Dimbulu Pty Ltd	50,000	0.34
16	Mifare Pty Ltd	50,000	0.34
17	Randazzo C & G Developments Pty Ltd	50,000	0.34
18	Skyport Pty Ltd	50,000	0.34
19	Navigator Australia Limited	49,038	0.34
20	Adirel Holdings Pty Ltd	47,000	0.32

The top 20 PERLS VIII security holders hold 5,187,165 securities which is equal to 35.77% of the total securities on issue.

Stock Exchange Listing

PERLS VIII are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPE. Details of trading activity are published in most daily newspapers.

Range of Shares (PERLS VIII) as at 5 August 2016

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	13,158	89.36	4,250,507	29.31
1,001 – 5,000	1,367	9.28	2,988,100	20.61
5,001 – 10,000	119	0.81	942,188	6.50
10,001 – 100,000	77	0.52	2,230,689	15.38
100,001 and over	4	0.03	4,088,516	28.20
Total	14,725	100.00	14,500,000	100.00
Less than marketable parcel of $500	1	0.01	2	0.00

Voting Rights

PERLS VIII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 132 and 133 for the Bank's ordinary shares.