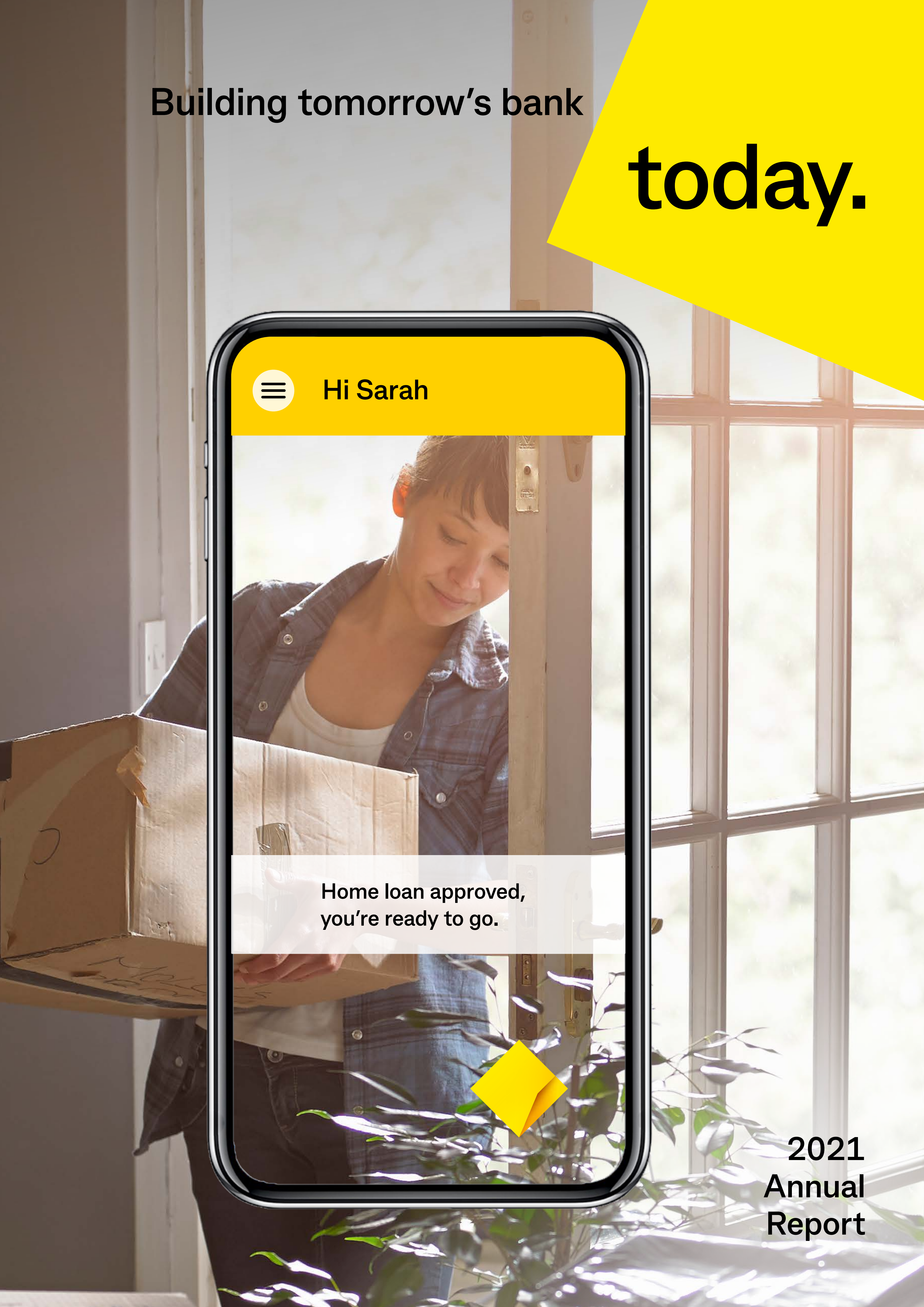
Building tomorrow's bank today.



2021 Annual Report

Contents

Overview

2021 highlights 2
Chairman's message 4
A meaningful commitment 6
CEO's message 8

COVID-19 support

Providing a range of ways to help customers during uncertain times.

Please visit commbank.com.au/coronavirus

How we create value

Our strategic priorities 10
Our approach to sustainability 20
Addressing climate change 22
Managing our strategic risks 42
Financial performance 48
Sustainability performance 58
Our approach to governance 67

Directors' report

Directors' report 78
Remuneration report 84

Financial report

Financial statements 114
Notes to the financial statements 121
Directors' declaration 270
Independent auditor's report 271

Leadership in Australia's recovery and transition

Supporting our customers and the country to help build a better future, together.

Engaging our people

Continuing to ensure the lived experience throughout the Bank aligns with our purpose and values.

Additional information

Security holder information 280
Five-year financial summary 288
Profit reconciliation 291
Glossary of terms 293
Contact information 309

This is an interactive PDF designed to enhance your experience. The best way to view this report is with Adobe Reader. Click on the links and use the home button in the footer to navigate the report.

The release of this announcement was authorised by the Board.
Commonwealth Bank of Australia | ACN 123 123 124 | Ground Floor Tower 1, 201 Sussex Street, Sydney NSW 2000 | 11 August 2021 | 184/2021

Building tomorrow's bank

We have set a bolder ambition. Our strategic priorities build on the Bank's strong foundations and position us for the future. Developing global-best digital tools that help customers achieve their goals is core to this ambition.

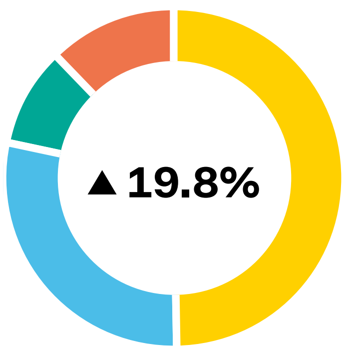
today for our customers.

2021 highlights

Financial highlights

Group

Cash NPAT by business unit



Retail Banking Services
$4,806m

Business Banking
$2,758m

Institutional Banking and Markets
$922m

New Zealand
$1,159m

Statutory net profit after tax (NPAT)
$8,843m
▲ 19.7%

Cash net profit after tax (NPAT)
$8,653m
▲ 19.8%

Operating income
$24,156m
▲ 1.7%

Net interest margin
2.03%
▼ 4 basis points

Capital ratio
13.1%
CET1 (APRA, Level 2)
▲ 150 basis points

Value we create

Customer

Our targets

#1 Net Promoter Score (NPS) in consumer and business banking

Our progress

#1 mobile app NPS
#2 consumer NPS
#1 business NPS

15m+
customers served

$157bn
of new lending for home buyers

$50bn
of new lending for businesses

$1.9bn+
in loans under the Government's Coronavirus SME Guarantee Scheme

Community

Our targets

Top quartile among peer companies for reputation improvement

RepTrak reputation score

65.0
Average of peer companies: 65.7

$3.6bn
tax expense – one of Australia's largest taxpayers

$47.3m
cash contributions

$6.1m
Australian Indigenous supplier spend

$6.4bn
funding for low carbon transition

Our people

Our targets

Top quartile amongst global companies in our employee engagement score

Employee engagement

78%
Global 90th percentile score: 83%

88%
of employees are proud to work at the Bank

$6.0bn
paid to our 44,375 people in salaries and superannuation

81.1%
employees working flexibly

41.7%
women in Executive Manager and above roles

Shareholders

Our targets

Top quartile TSR outperformance relative to peers

Total shareholder return (TSR)

226% 10-year
72% 5-year
48% 1-year

870,000+
shareholders, 78% Australian owned

$3.50
dividend per share, fully franked

$6.2bn
returned to shareholders as dividends

$2,818
dividend amount received by the average retail shareholder

Financials are presented on a continuing operations basis, except Common Equity Tier 1 (CET1) which include discontinued operations. Comparative information has been restated. All figures relate to the full year ended 30 June 2021 and comparisons are to the year ended 30 June 2020, except for employee engagement which is as at 31 March 2021 and employees working flexibly which is as at 30 September 2020. For data sources, see *Glossary* on pages 293–308.

Supporting customers as uncertainty continues

Our purpose has never been more relevant than over the past year as the Bank supported personal and business customers impacted by COVID-19.

Resilience and recovery

Our purpose, of improving the financial wellbeing of our customers and communities, has provided the Bank with a strong sense of direction throughout the past year.

As the pandemic persisted into the 2021 financial year, the Bank continued to defer repayments on home, personal and business loans, and offered a wide range of support to customers. This helped alleviate financial pressure, and uncertainty, for both individuals and businesses.

The past year has also been notable for governments, regulators and industry continuing to work collaboratively, to implement support programs quickly, and to help minimise the impacts of the pandemic.

In this regard, the strength and stability of a well-capitalised, and well-regulated banking sector has been a significant factor, including the ability of the sector to provide governments with the data needed to inform decisions on support packages and policies.

Over the course of the pandemic, our customers have embraced digital banking in record numbers.

Unfortunately, we are aware that the current circumstances may have put increased pressure on customers in vulnerable circumstances, like those experiencing domestic violence and financial abuse. The Bank expanded its support for these customers, and the community more broadly, through its Next Chapter program that includes referrals to external support services where appropriate, providing safe banking support for people experiencing difficult and often dangerous situations, and access to free financial coaching and assistance delivered in partnership with Good Shepherd through the Financial Independence Hub.

A simpler better bank

The Bank has transformed itself over the past three years through its Remedial Action Plan (RAP), implemented in response to APRA's 2018 Prudential Inquiry into our governance, culture and accountability.

APRA's Inquiry made 35 recommendations for change, and our RAP translated these into 177 milestones with a three-year timetable to embed the outcomes.

The RAP, which was launched in June 2018, has been the most extensive of its kind undertaken by the Bank, and has led to fundamental changes in systems and processes, allowing our people to provide better service to customers, manage risk more effectively, meet compliance and regulatory obligations and fulfil their individual and team accountabilities.

The independent reviewer, Promontory, which has reported to APRA on our progress, and will submit its final report this year, has described CBA as "almost unrecognisable as the institution described in the Inquiry Report". The effectiveness of the RAP will ultimately be determined by how sustainable the changes become. We now have in place an ongoing program of work to ensure that the progress achieved so far becomes enduring.

Alongside the RAP, we also revised our Code of Conduct, and refined the Bank's values of care, courage and commitment. Employees now consistently ask "Should We?" to test whether actions are in keeping with our Code and our values. Staff are encouraged to speak up and constructively challenge colleagues, including those more senior.

Cultural change has also been reinforced through the Remuneration Framework, with an emphasis on accountability and risk management. For senior executives, the relative proportion of equity has been increased, and deferral periods extended, to ensure that executive remuneration is more closely aligned with longer-term shareholder returns.

Sustainable outcomes for all stakeholders

The Bank recognises that its performance on environmental and social dimensions is fundamental to delivering sustainable outcomes that balance the interests of all stakeholders.

In the past year, we have strengthened our approach to sustainability, including updating our Environmental and Social Framework, which provides a reference point for our people and stakeholders on the minimum standards we seek to abide by.

In March 2021, we published our Modern Slavery and Human Trafficking Statement, reflecting our focus on ensuring that our activities – including general banking services, lending, financial crime detection and supply chain management – can identify and mitigate human rights abuses, including modern slavery.

CBA is committed to playing its part in limiting climate change in line with the goals of the Paris Agreement and supporting the transition to net zero emissions by 2050.

During the year, the Board endorsed a Group-wide work program to strengthen our approach to climate risks and opportunities across the Bank, and establish new medium and long-term targets for our operational emissions.

The Bank has continued to develop products which provide opportunities for businesses to benefit from sustainability initiatives, including the provision of low carbon finance, energy efficient equipment finance, green bonds, and incentives for solar power usage.

For retail customers we now provide lower cost financing, for eligible home loans, to support investment in sustainable and energy efficient solutions such as solar panels and other technologies that use renewable energy or lower emitting energy sources. Our latest report applying the Task Force on Climate-related Financial Disclosures (TCFD) appears on pages 22–33 of this Annual Report and explains our approach to climate-related governance, strategy, risk management and metrics and targets.

Strong business performance and capital position

The Bank performed well in the year to 30 June 2021, with disciplined execution delivering strong outcomes, despite the impacts of the pandemic.

Cash net profit after tax was 20% higher reflecting the improved economic conditions and outlook, resulting in a lower loan impairment expense, and a strong contribution from operational performance.

During the year the Bank also continued its program of divestments of non-core businesses, in line with its strategy to become a simpler bank. Since the divestment program began in 2018 it has generated $6.2 billion in excess capital.

Benefits from divestments, the strong balance sheet, and continued discipline on capital management, resulted in a Common Equity Tier 1 capital ratio of 13.1% at 30 June, well in excess of the APRA's 'unquestionably strong' benchmark of 10.5%.

The year's performance and capital position has allowed CBA to deliver strong returns for shareholders. The Board determined a final dividend of $2.00 per share, taking the total full year dividend to $3.50 per share, fully franked, resulting in shareholders receiving $6.2 billion in dividends in relation to the financial year.

After considering our capital management options, we have also announced an off-market buy-back of up to $6 billion of CBA shares.

We believe that an off-market buy-back will benefit all our shareholders whether or not you decide to participate. This is because the buy-back will reduce the number of CBA shares on issue, thereby supporting the return on equity, earnings per share and dividend per share, for all shareholders who continue to hold shares in CBA.

Board focus on mix of skills, experience and intellectual capacity

The Board has an ongoing focus on ensuring that it has the appropriate diversity of skills, experience and strategic thinking capabilities that are required to lead Australia's largest financial institution and be at the forefront of digital banking.

During the year, two new directors were appointed to the Board.

Simon Moutter joined the Board in September 2020. Simon was most recently Managing Director of Spark New Zealand Limited, New Zealand's largest telecommunications and digital services company for seven years, and has extensive experience in technology, process effectiveness and business strategy.

In March 2021, the Board welcomed Peter Harmer. Peter was previously Managing Director and Chief Executive Officer of IAG where he drove digital innovation across the business. In addition to a focus on customer service, Peter has expertise in the impact of climate change on financial services firms and the economy more generally.

These appointments have further strengthened the mix of skills, knowledge and experience relevant to the Bank's strategic priorities, particularly in digital technology and leadership in the transition of the Australian economy.

The future

Over the past year CBA has evolved its strategy, updated its brand, refined its core values to reflect the progress over the past three years, and set out a more ambitious agenda to build tomorrow's bank today.

For CBA, this includes the development of new digital products and services, which reimagine the way financial services can be tailored to individual customers, and an ambition to provide a leading digital experience.

The refinement of the strategy also reflects our purpose and values, with an explicit intent for the Bank to play a significant role in Australia's economic recovery and to contribute to the nation's transition to a digital and sustainable economy, thereby underpinning Australia's prosperity and social wellbeing.

In aspiring to these ambitions, we recognise the importance of achieving the best balance of outcomes for all stakeholders.

I thank all of our employees, customers and shareholders for your support this year.

C.B. Livingstone

Catherine Livingstone AO
Chairman

A meaningful commitment delivering real impact

A welcomed independent assessment and roadmap with a commitment from our people has delivered an unrecognisable CBA – our purpose and values are core to everything we do.

Living our purpose and values

Our purpose – to improve the financial wellbeing of customers and communities – is the reason we come to work every day, the reason we exist.

Over the past three years, strengthening culture and accountability has been a priority for the Bank. The change has been values-led with strong leadership from the Board, the CEO and management team.

We clarified what we expect of our people through our purpose, values and Code of Conduct to guide our actions and ensure these changes remain part of how we operate.

This is an ongoing process, not a one-off exercise. We are determined to meet and exceed customer, regulator, shareholder and community expectations now and into the future.

Refining our values

The COVID-19 pandemic reinforced our important role supporting our customers and the broader economy through challenging times. Our people took pride and motivation in providing practical and meaningful assistance to individuals, families and businesses in need.

We offered loan deferrals, relief funding, fee and interest waivers, financial counselling and more. Our people engaged with their customers and stakeholders in ways we could never have imagined.

We saw our people at their best and took the opportunity to refine our values: care, courage and commitment. Our values reflect the behaviours we saw, and continue to see, from our people every day. Together, they represent us at our most purposeful.

Guiding our actions

Our Code of Conduct is the ultimate guide for how we do things. This year further work was done to embed our Code, providing absolute clarity about the outcomes we want to achieve and a comprehensive set of tools to enable us to achieve them.

Care

We care about our customers and each other – we serve with humility and transparency.

Courage

We have the courage to step in, speak up and lead by example.

Commitment

We are unwavering in our commitment – we do what's right and we work together to get things done.

‘Should We?’

A simple test for complex times

Doing the right thing sounds simple, but we realised we needed a fast and effective test to help our people through challenges. When faced with a decision or situation where the right thing to do is not clear, we ask one simple question: ‘Should We?’

‘Can We?’ is not enough, because it focuses on capability and compliance, not suitability. The ‘Should We?’ test is equally important. It is part of how we operate every day and is helping us build a better bank. It guides us on how to act and make decisions that align with our values.

Our customers and communities expect us to exercise good judgement. When the right answer is not obvious, we encourage our people to speak up and challenge their own, each other’s and the Bank’s thinking.

Can you answer ‘yes’ to all of these questions?

- Is this consistent with our values and policies?
- Am I being clear and transparent?
- Would I be comfortable if I had to tell my family or a friend?
- Is this fair to customers and the community?

Our roadmap for change

The Australian Prudential Regulation Authority (APRA) Prudential Inquiry report provided us with a clear roadmap for change. We fully embraced the recommendations and developed an action plan that would help us become a better bank.

Cultural change is an ongoing journey. We have made good progress, but much remains to ensure we sustain the outcomes of our action plan. It is important for our long-term performance, and the Board regularly tests that we are living up to our commitments. We celebrate those who live our values and help us create a positive risk culture. We have focused on:

Embedding the ‘Should We?’ test

We use the ‘Should We?’ test in all our interactions and decisions. It is a simple way to ensure our actions meet community expectations.

Resolving risks

Risk management is a strategic priority. The voices of risk and compliance have been elevated. We have also improved our identification and escalation protocols, and our focus on resolving risk issues. Our aim is to deliver better customer and risk outcomes by taking a proactive approach to risk and continually improving how we manage non-financial risk.

Improving oversight of non-financial risk

Our awareness and reporting of non-financial risk, including emerging risks, has significantly improved. The Executive Leadership Team’s collective accountability for risk management is now embedded.

The role of remuneration

Remuneration is directly tied to risk, customer and reputation outcomes, and considers our values and behaviours. Our senior leaders understand that they must exemplify our values each and every day. Unsatisfactory risk management outcomes and behaviours have negative remuneration consequences (including to zero). Equally, to reinforce a positive risk culture, employees who rate ‘exceptionally managed’ for risk are formally recognised and rewarded.

Strengthening our risk culture

Our culture is dynamic, reflective and encouraging of constructive challenge. Risk management is a part of every activity. Our positive risk culture drives better decisions and outcomes for all our stakeholders.

OVERVIEW
HOW WE CREATE VALUE
DIRECTORS’ REPORT
FINANCIAL REPORT
ADDITIONAL INFORMATION

A more ambitious agenda

Reimagining what technology can do for our customers is a critical part of our strategy to build tomorrow's bank today.

Supporting our customers

The Commonwealth Bank has been part of Australia's history for more than a century, playing an important role for our country through some of its most significant moments. We are dedicated to honouring this legacy by being there for our country, our customers, our communities and our shareholders as the recovery continues.

The past year has demonstrated the resilience of Australian communities, businesses and the economy. While the economy recovered stronger than expected from the height of the pandemic, we will continue to provide targeted assistance to those who need it most.

Through short-term repayment deferrals we have supported many of our customers through the financial challenges posed by COVID-19. Since the onset of the pandemic, we've helped 158,000 home loan customers and 83,000 business customers, while more than six million customers have visited our COVID-19 support page.

We remain dedicated to supporting our customers through the most significant events in their lives, as well as the ongoing uncertainty, whether it be due to the COVID-19 restrictions, severe weather events or natural disasters.

Setting a new ambitious strategy

Three years ago, we set out to become a simpler, better bank. We've made significant progress and are now in a stronger position to set a more ambitious agenda: building tomorrow's bank today for our customers. Our strategic priorities include:

Leadership in Australia's economic recovery and transition to support our customers and the country to recover from the disruption of the past year. We are building Australia's leading business bank, with a particular focus on health, agriculture, property, manufacturing and business services. We are also directing capital to help our economy become more modern, resilient and sustainable.

Reimagined products and services to offer a unique and differentiated customer proposition that embraces open banking and integrates with new services and ventures. We're using our digital innovation, data and analytics capabilities, and deep understanding of 7.6 million digital customers, to offer more personalised and relevant experiences. This includes Bill Sense in the CommBank app, which analyses transaction data to make more than 60 million bill predictions each day to help customers predict upcoming bills and payments, and Cash Flow View which over 830,000 of our customers use to get a complete picture of their income, spending and saving each month.

Global best digital experiences and technology to build deep, trusted relationships with our customers and set the standard in financial services. Our ambition is to make our digital experiences the best of any company globally. For the 12th consecutive year, we have been rated #1 for online and mobile banking by Canstar, while independent research firm Forrester has also rated the CommBank app as the overall digital experience leader among mobile banking apps in Australia for the fifth year in a row.

Simple, better foundations to keep the bank strong and safe and make it easier for our people to get things done. Through sustained and transparent risk management we aim to excel at managing both financial and non-financial risk while reducing costs where we can and managing capital with discipline.

Delivering performance

The Bank has delivered a strong financial result this year. This has been achieved through customer focus, digital engagement and operational excellence. Operating income increased 2% due to continued above system volume growth in home lending, business lending and deposits and a focus on our turnaround times. This offset the impact of historically low interest rates and strong competition. As a result of an improvement in economic conditions, our loan impairment expense decreased significantly this year.

Continued balance sheet strength is critical to our ability to serve our customers, drive core business outcomes and deliver strong and sustainable returns for our shareholders. During the year, our capital position was supported by organic capital generated by our businesses, the proceeds received from the sale of our Life Insurance businesses, and other previously announced divestments.

Our surplus capital position, combined with our strong cash earnings, has allowed us to return $6.2 billion in dividends to shareholders this year.

Partnering with our communities

We have continued to lead in the support we provide to communities. Through our Next Chapter program, we've extended our support for people impacted by financial abuse. We are also proud to have become the official partner and bank of the Australian women's football team, the Matildas, as well as the Junior Matildas and Young Matildas. Combined with our long-term sponsorship of women's cricket, we believe CBA is one of the largest ever investors in Australian women's sport.

A better place to work

Once again, our people have gone above and beyond to support our customers and communities when they have needed us the most, and I thank them for the care and commitment they've shown throughout the year.

Our evolved strategy, brand and values strongly resonate with our people, and they continue to feel a strong sense of pride in working for CBA. They also see how their work directly contributes to our strategy, and as a result, employee engagement remains high at 78%.

Support during challenging times

Helping our customers and the broader economy as recovery continues is our priority.

While the Australian economic recovery continued strongly through most of 2021, the pandemic continues to have an impact on the Australian economy, as well as the health of our communities. The ongoing roll-out of the vaccination program and government support packages will be important to help Australians and the economy on the path back towards full economic activity.

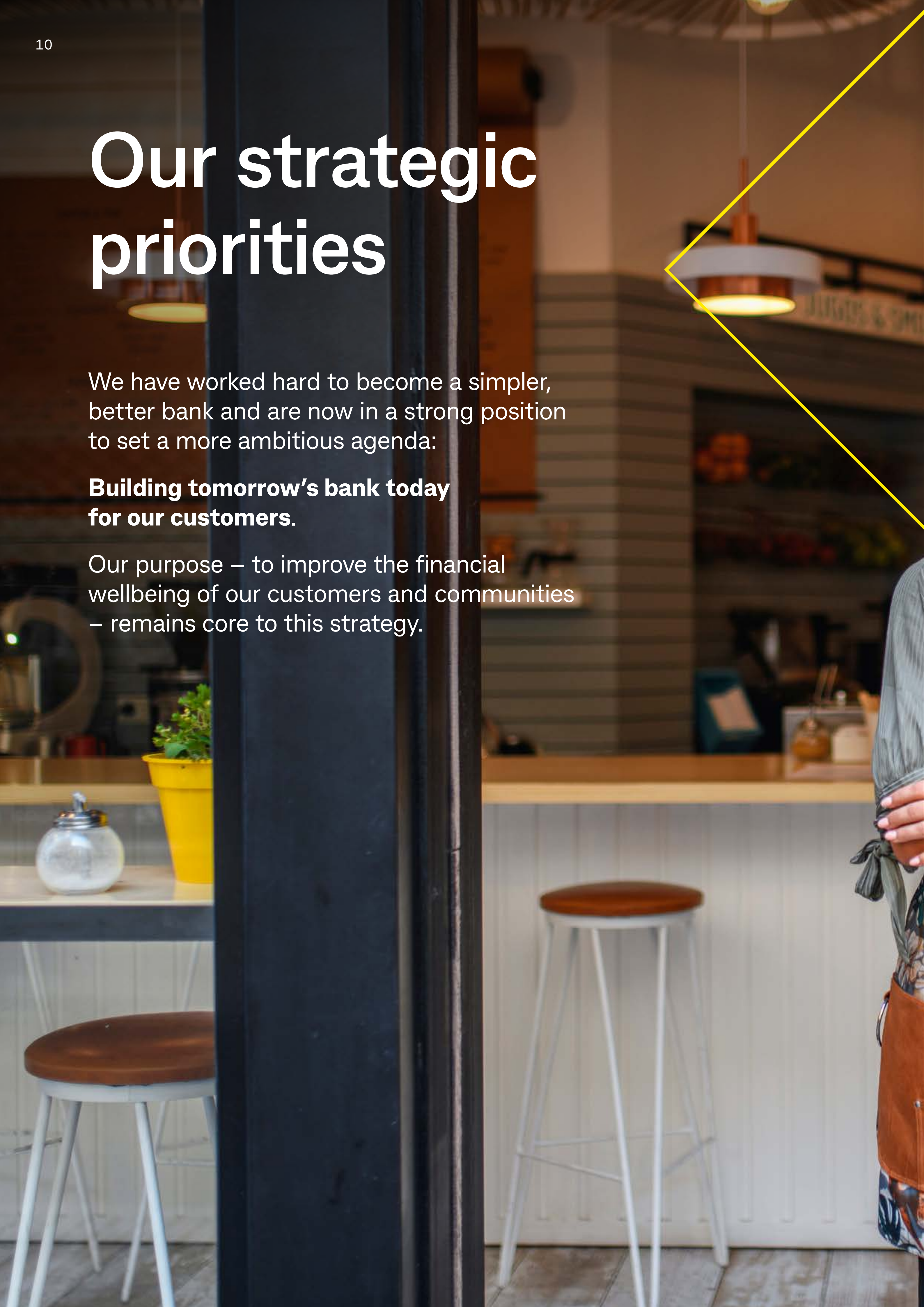
As the past 18 months have shown, Australia has a very strong, stable and secure financial system. This includes well-capitalised and strong banks like the Commonwealth Bank, which together with the support of the federal and state governments, regulators and the broader industry, have helped the country through the worst pandemic in living memory.

We are prepared for a range of different economic scenarios and are well placed to support our customers. We are committed to new and ongoing support measures for those most impacted by COVID-19 and other events, and will continue to work closely with our retail and business customers to understand their needs.

Looking ahead, we anticipate ongoing economic impacts and earnings pressure from lower interest rates. We will continue to invest in the business to reinforce our product offering to our retail and business customers and extend our digital leadership.

Through disciplined execution and our people's care and commitment, we will continue to deliver for our customers, community and our shareholders as we build tomorrow's bank today.

Matt Comyn
CEO



Our strategic priorities

We have worked hard to become a simpler, better bank and are now in a strong position to set a more ambitious agenda:

Building tomorrow's bank today for our customers.

Our purpose – to improve the financial wellbeing of our customers and communities – remains core to this strategy.

Leadership in Australia's recovery and transition

Help build a better future, together

Reimagined products and services

Create more value for customers

Global best digital experiences and technology

Build deep and trusted customer relationships

Simpler, better foundations

Keep the Bank strong and safe

Leadership in Australia's recovery and transition

Supporting our customers and the country to help build a better future, together.

800,000+

business customers

#1

Australian debt markets[1]

2,700+

frontline bankers

Support and build

As Australia's largest bank we are uniquely placed to play a strong role in supporting Australia's economic recovery and transition. This begins by providing the right support to our customers and communities when they need us most. We are working constructively with both the private and public sectors to promote growth and build a brighter future.

Building Australia's leading business bank

Australian businesses are critical to securing Australia's future economic prosperity. We want to play a bigger role in business banking, leveraging our retail customer base and our existing technology platforms to create differentiated propositions for our business customers. We are improving end-to-end processes to speed up decision making and enhancing overall banking experiences through investment in technology, digital assets and analytics. We are also adding more dedicated business bankers within branches and specialised staff to support regional economies.

1 See *Glossary* on pages 293–308 for source information.

Arranging clients' first sustainability bonds

Accelerating the growth of sustainable and affordable housing.

The Bank supported the National Housing Finance and Investment Corporation (NHFIC) in issuing its first-ever sustainability bond, raising $343 million. The funds raised through the 15-year sustainability bond will be applied to the construction of around 600 social homes, 450 affordable and private rental homes, and 50 supported disability accommodation sites across Melbourne. In addition, the project will also meet recognised environmental standards.

Helping our customers recover

Helping our customers to innovate and take advantage of new opportunities.

Coral Expeditions is one of the world's oldest expedition cruise companies. Through the 2020 pandemic shutdown, we were able to provide support through repayment deferrals as well as funding to purchase a new vessel. This support enabled the business to take advantage of the domestic tourism market, offering new routes in Queensland, South Australia and Western Australia. Coral Expeditions is now enjoying strong interest for future cruises.

Helping build Australia's future economy

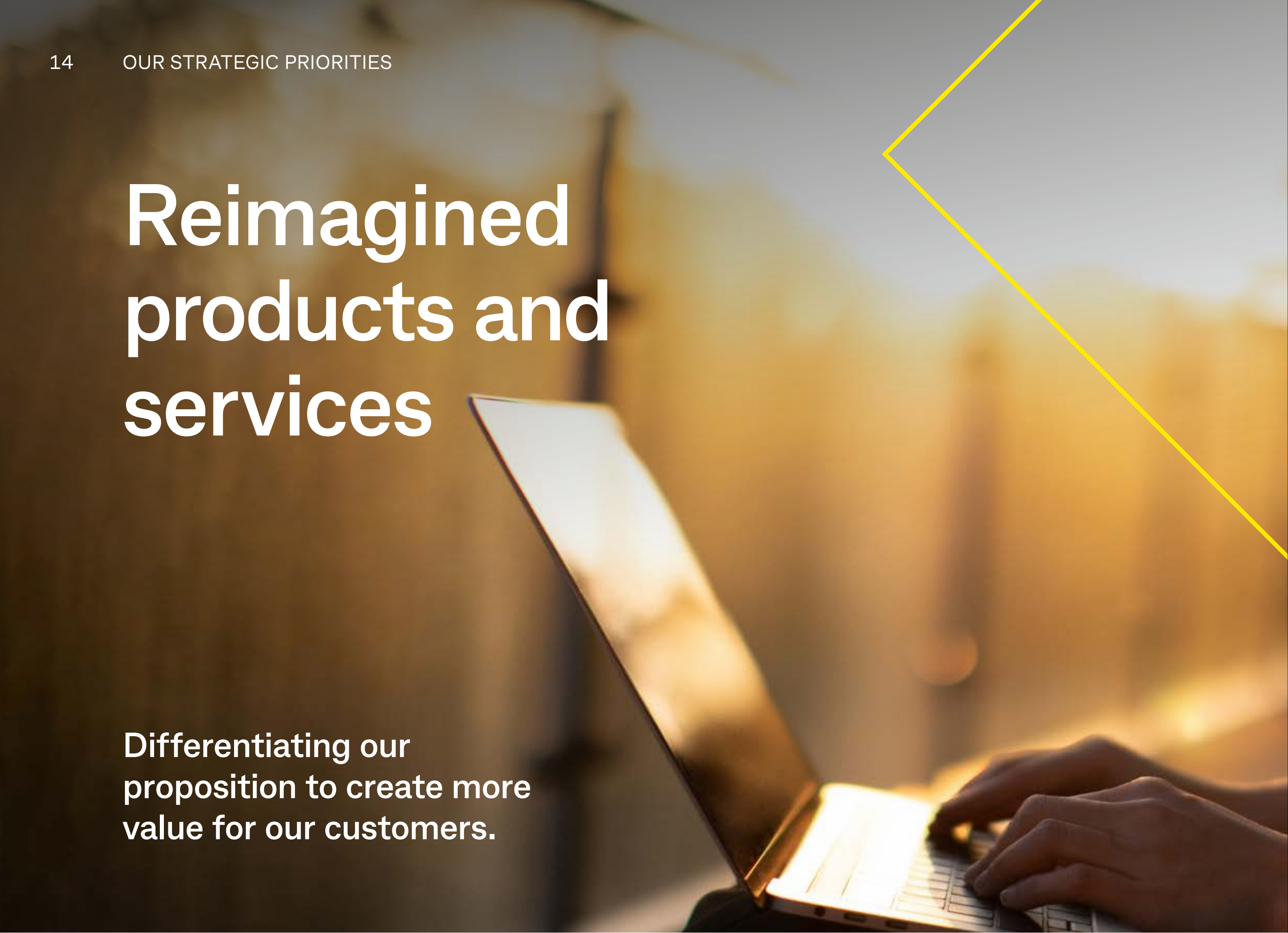
Our priority is to direct capital and capability towards growing businesses and accelerating Australia's transition to a more digital and sustainable economy. We are also focused on supporting customers and communities as they navigate the risks and opportunities associated with climate change. Through our institutional bank, we provide asset finance for critical infrastructure developments and job-creating projects. The institutional bank also leverages its unique access to data-at-scale to help clients identify emerging trends and adapt to changes in their industries and the economy.

+ Learn more about our commitment to support Australia's transition to a low carbon economy on pages 22–33.

Supporting small businesses

Providing an integrated platform to simplify operations.

As the pandemic created uncertainty for regular operations, Gene Kapaufs, owner of Advieh – a Middle Eastern café in Melbourne's inner west – decided to use Doshii to connect his food ordering apps with the café's Point of Sale (POS). By integrating all functions into a single system, Doshii helps hospitality businesses run their venues more effectively. The platform helped Gene reduce costs, speed up delivery, and eliminate staff mistakes with orders sent instantly to the kitchen and drink printers.



Reimagined products and services

Differentiating our proposition to create more value for our customers.

11m+

retail customers

#1

most innovative major bank[1]

6 ventures

launched, invested in, or acquired by x15

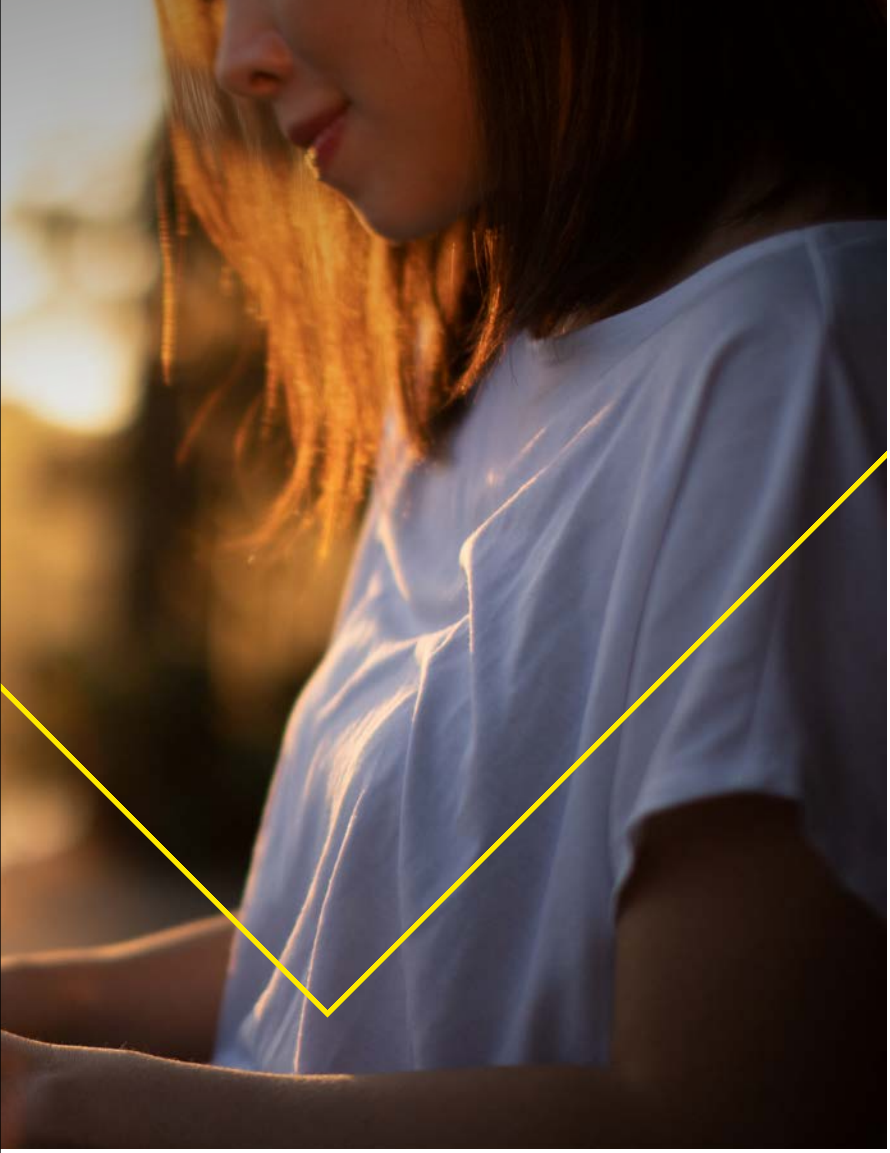
Reimagine and innovate

Our customers increasingly choose to engage with us digitally. By enhancing the products and services we offer today and anticipating how our customers will bank tomorrow, we are reimagining banking.

Customers want greater control, simplicity and value from their financial services providers. Business customers also want more control through integrated offerings that make it as easy as possible to run and grow their businesses. To meet these needs we are investing to drive product innovation in our business, as well as partnering with external services and building new ventures.

x15ventures is our venture-scaling entity that provides start-ups with the tools and expertise needed to go to market at scale. To date, x15ventures has either launched, invested in or acquired six ventures, including Doshii, Vonto and Payble, with more new ventures to come across retail, everyday banking, home buying and business banking. Our priority is to innovate around our most important customer experiences to differentiate our services, add value and meet customer needs as they change over time.

1 See *Glossary* on pages 293–308 for source information.



Unlocking benefits for customers

Connecting customers to half a billion dollars in unclaimed benefits.

Our *Benefits finder* tool was released in 2019 to help connect customers with unclaimed benefits, rebates and concessions offered by government agencies and third parties. These include energy rebates, natural disaster relief and income support. Customers have been connected with over one million benefits using *Benefits finder* in the CommBank app and NetBank, leading to more than $481 million in savings over the last year.

Anticipating changing customer needs

We are focused on listening to customers, understanding their problems and adapting our products and services to better meet their needs. We are also investing in ways to help business customers grow and retail customers save money.

Recognising that customers want more choice over how they shop and pay, we launched StepPay (our buy now pay later card) and are partnering with the online shopping start up Little Birdie. Little Birdie will help bring customers the best deals when shopping online with special offers on products, price drop notifications and access to the latest sale events from their favourite brands and stores, in real-time. Combined, these new shopping and savings experiences create unique opportunities for our retail and business customers to connect and create real value.

Simplifying complex processes such as buying a home is important to our customers. Our digital home buying assistant, Home-in, helps buyers navigate the end-to-end purchase process more easily and access accredited service providers like conveyancers. Additionally, through strategic partnerships with utility and service providers like Amber Electric, we can help customers to save more on their bills and improve their overall financial wellbeing.

Delivering powerful insights

Helping businesses make smarter decisions backed by data.

Aussie UGG boot manufacturer, UGG Since 1974, was looking for a way to easily access and interpret business data. Using our Vonto data tool, they were able to make agile business decisions with confidence. From scheduling promotions to managing advertising spend and reducing stock, Vonto has helped UGG Since 1974 stay nimble and manage its business more effectively.

Global best digital experiences and technology

Building deep, trusted relationships with our customers and setting the standard in financial services.

6.4m+

CommBank app users

600+

new engineers (target)

70%

of CommBank transactions made digitally (by value)[1]

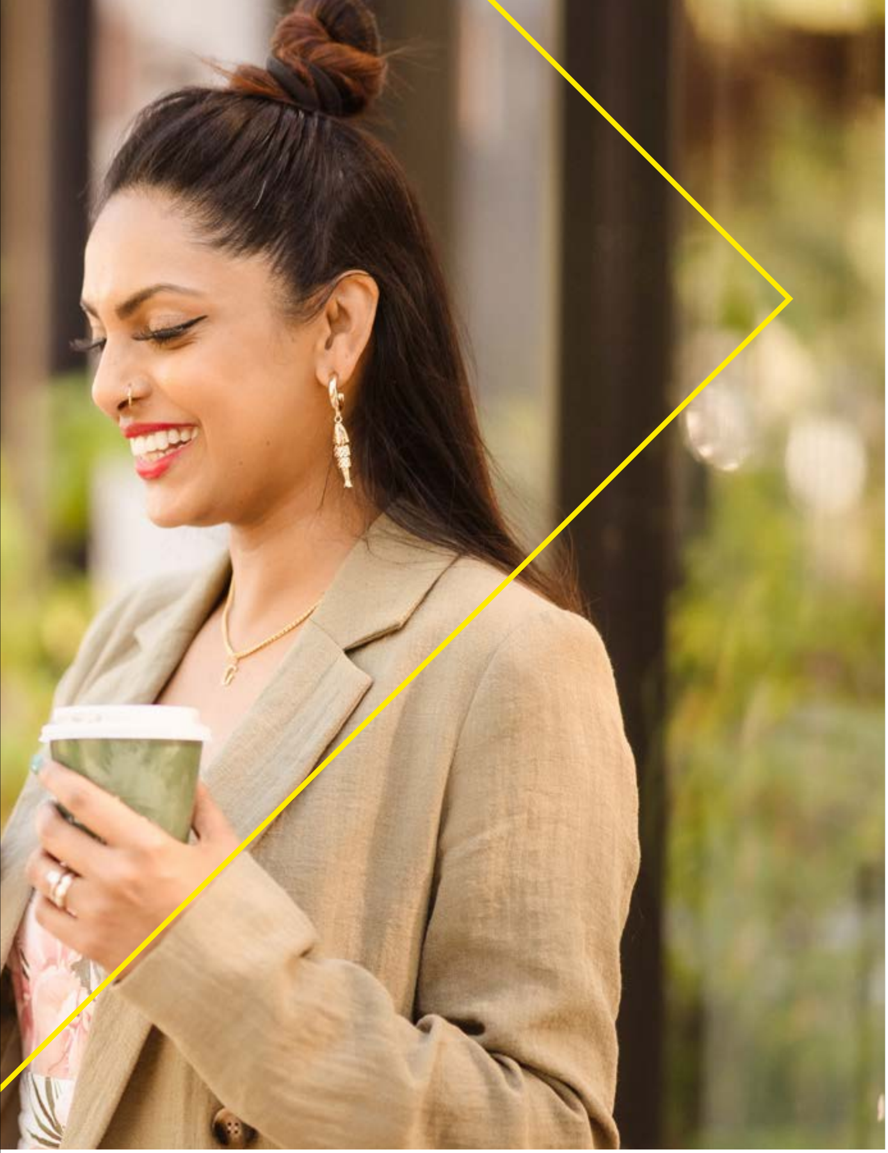
Integrate and deliver

Our focus is to continue being our customers' most relevant and trusted financial partner. We continue to execute on our digital strategy with an ambition to provide customers with one of the best and most rewarding digital experiences of any company globally.

The Bank's significant and continuous investment in technology, including data, machine learning and artificial intelligence, means we have unique insights into each customer's individual needs. We have 7.6 million digitally active customers and are working hard to better serve our customers. Our ambition is to provide customers with the ability to manage all of their financial needs in one place, to build deeper relationships and deliver a better digital experience. Through increased data sharing between financial services companies, we see open banking as an area with significant opportunity to provide customers with more choice and further integration.

Our customers also rely on our services being always available and delivered in real-time. We will continue to invest in our systems and processes to ensure that they are fit for the future with the technology needed to deliver for customers.

1 See *Glossary* on pages 293–308 for source information.



Delivering the best integrated digital experiences

The key to building trusted customer relationships will be our ability to personalise services across all channels and create more rewarding experiences for our customers.

The Bank's award-winning CommBank app delivers value to more than 6.4 million users. It is powered by our Customer Engagement Engine, which uses insights from customer activity to drive highly relevant and personalised banking features. The app's For You personalisation function brings together both internal and external services to provide a single place for our customers to receive individualised service, benefits and offers.

We continue to add new functionality to the app that helps customers better manage their finances. Some of our recent updates include Bill Sense, which helps customers predict and plan for upcoming bills, and Category Budget, our latest feature, which guides customers to nominate a target budget and helps them to track their expenditure.

Deals and offers, integrated with our goal savings products, will help customers manage their finances and save for a special purchase in a completely different way.

Building world-class engineering capabilities

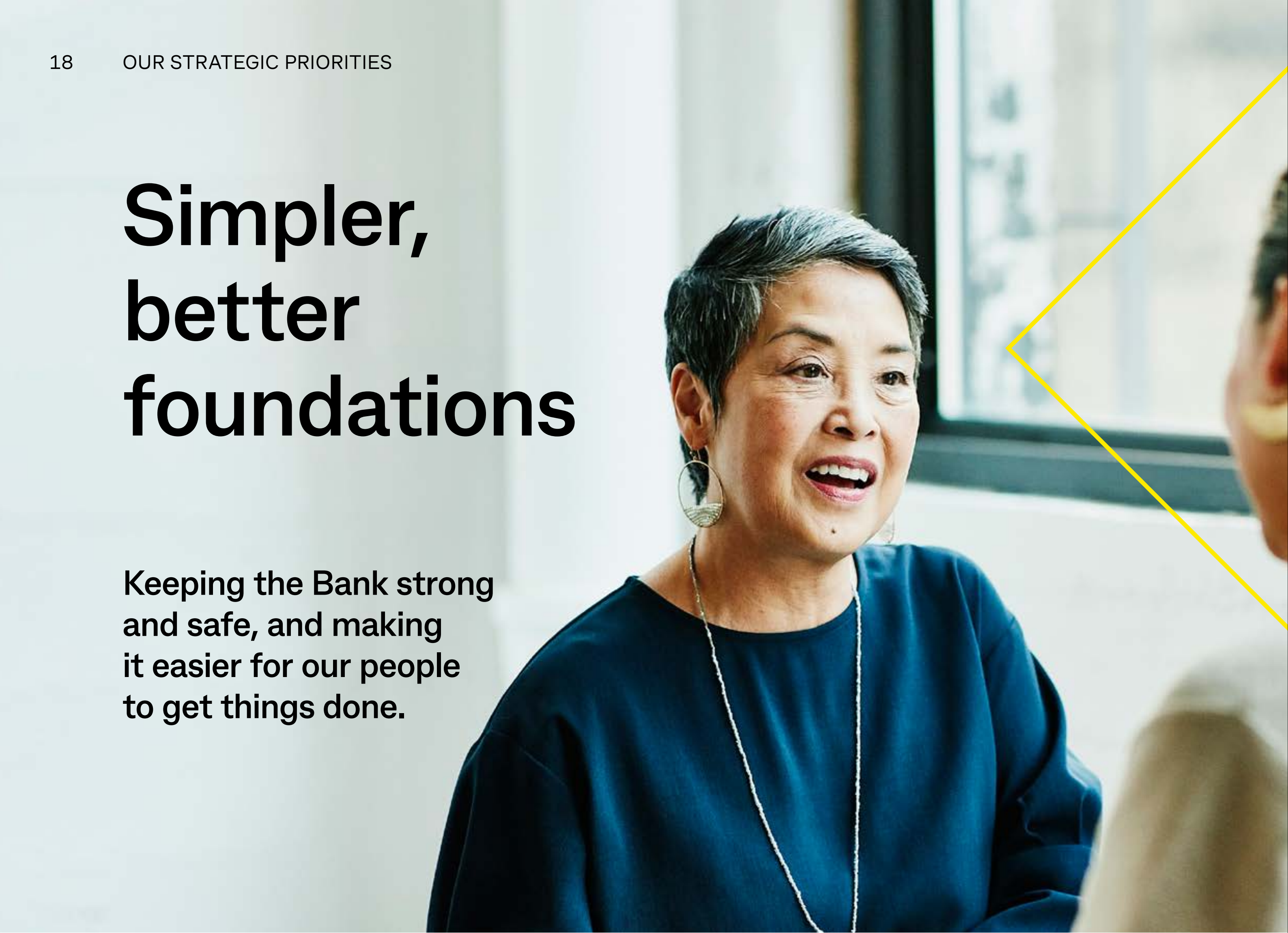
We need world-class engineering capabilities to maintain our leadership position and design solutions that enhance our customers' wellbeing.

Attracting the best engineering talent means recruiting and investing in people both locally and globally. To complement the work of our teams based in Australia and other international locations, we opened an office in India to increase our access to global best talent, diverse skills and experience.

Modernising our systems and digitising end-to-end

We continue to simplify the technology we use and invest in secure, modern, resilient platforms to deliver real-time customer outcomes.

To ensure our most critical processes are always available, we are simplifying our architecture, modernising our systems and migrating to the cloud. This includes reviewing our applications to identify those that should be retired, retained or reimagined. The Bank's move to the cloud will allow us to deliver better scale and speed with our technology, offer greater service resilience and, critically, enable us to innovate at speed.



Simpler, better foundations

Keeping the Bank strong and safe, and making it easier for our people to get things done.

100%

APRA Prudential Inquiry Recommendations submitted

$500m

APRA operational risk capital release

Fraud and Scam Alerts

New fraud and scam alert notifications within the CommBank app are keeping our most vulnerable customers safe by contacting them in real-time, through a channel they can trust.

Strong and safe

We set out to become a simpler, better bank. We took action to address shortcomings, restore trust and ensure long-term sustainable performance and returns for shareholders.

This meant improving the way we manage non-financial risk and divesting non-core businesses, like wealth management.

Thanks to the commitment of people across the Bank, today we are a stronger and safer organisation. These strong foundations enable the Bank to set a more ambitious agenda and focus on the new challenges and opportunities ahead. We are focused on operational excellence in our banking businesses, simplifying our processes, and putting our customers first. We prioritise making banking more secure by continuously improving the way we safeguard customer data and enhancing our abilities to detect and protect Australians from scams and fraud.

We also continue to focus on the disciplined management of both costs and capital, which allows us to invest in the business, generate organic capital and support a strong and sustainable dividend.

Driving operational excellence

More than one in three Australians call the Commonwealth Bank their main financial institution.

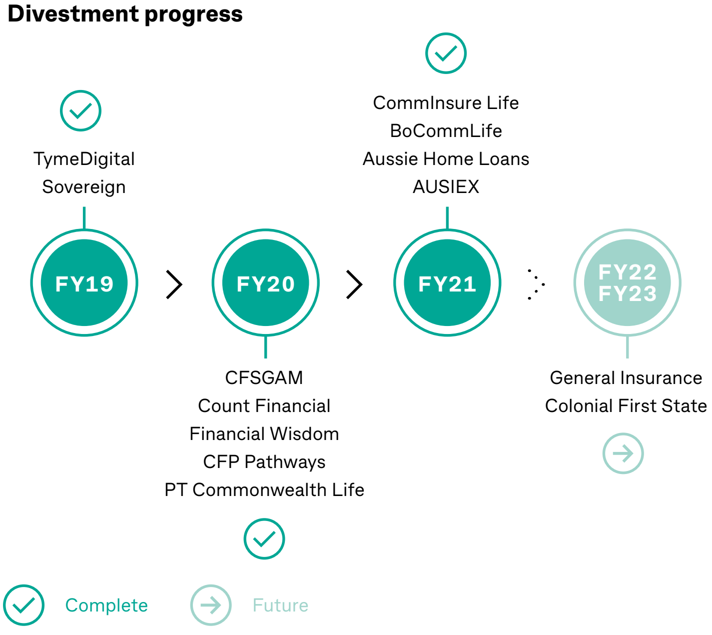
With over 11 million retail and 800,000 business customers, we are in a unique position to deliver value. Our ability to deliver quick and consistent decisions for customers has allowed us to grow despite the competitive market.

Operational excellence underpins our ability to maintain these market-leading customer and business outcomes. We are focused on becoming better and faster when it comes to making decisions, taking action and delivering on our promises. We will achieve this by leading in digital and product innovation to build deeper relationships with our customers. At the same time, we will continue to invest in productivity improvements.

Simplifying our portfolio of businesses

We have built a more focused portfolio by further progressing the divestment and cessation of our wealth management and mortgage broking businesses. These exits remove complexity and allow us to focus on the strategy and performance of our core businesses. It also enables us to invest more heavily in key areas and deliver better shareholder outcomes.

Divestment progress



Sustaining transparent and leading risk management

Managing both financial and non-financial risk is central to banking, and we need to excel at both.

We have made significant progress on implementing the recommendations from the 2018 APRA Prudential Inquiry into CBA and are on track to complete this program of work. In recognition, APRA reduced the add-on to its operational risk capital requirements by half ($500 million). We are also well progressed on implementing the recommendations of the Financial Services Royal Commission.

Our focus now is to sustain and improve the risk outcomes achieved, and turn it into an enduring source of competitive advantage that supports balanced and fair outcomes for our customers and delivers long-term value for shareholders.

For more information on our current risk priorities see pages 44–47.

Our approach to sustainability

Focusing on sustainable practices, policies and decisions to create long-term value.

Climate

By taking action to help customers and businesses meet the challenges of climate change, we mitigate risk and generate opportunities. See page 22.

Customers

Delivering the right outcomes for our customers and supporting those experiencing vulnerability is critical to delivering on our purpose. See page 34.

Community

Making a meaningful contribution to the communities in which we operate and continuing to build trust. See page 36.

Our people

Having an engaged, energised and accountable workforce ensures we deliver good customer outcomes. See page 38.

Good business practice

Conducting our business responsibly and transparently to deliver balanced and sustainable outcomes. See page 40.

Our approach

Our unique position and scale means we have a key role to play in creating a better future. This year we have embedded sustainability further into our business strategy, strengthening our approach to risks and directing capital towards a more resilient and sustainable economy, in turn creating value for customers, communities and shareholders.

Our focus areas

Our key focus areas include identifying how the Bank supports Australia's transition to a sustainable economy. This year we have also prioritised minimising the risk of modern slavery, as well as evolving and strengthening our organisational culture.

Enhancing risk governance

We formalised governance over environmental and social risks through a new executive level committee. We continue to enhance our risk assessment methodologies and tools. A key focus of these activities is addressing climate risks and opportunities.

Refer to pages 30–32 for more information on how we manage our climate risks and impacts.

Addressing climate change

42%

new Scope 1 and 2 greenhouse gas emissions reduction target by 2030

25%

new upstream Scope 3 greenhouse gas emissions target reduction by 2030 (excluding financed emissions)

$70bn

new Sustainability Funding Target in cumulative financing between FY21 and FY30

We are committed to playing our part in limiting climate change in line with the goals of the Paris Agreement and supporting the transition to net zero emissions by 2050. As Australia's largest financial institution, we recognise our important role helping our customers transition to a low carbon future.

This year, we observed an increase in climate-related activities from customers, regulators, government and investors. The Board and management have continued their focus on climate risks and opportunities by enhancing our governance framework.

We launched a Group-wide program to further embed environmental and social considerations into the way we do business. We also commenced analysis to inform how we manage the emissions associated with our financing activities at a priority sector level. This analysis is necessary to ensure we align our financing with the goals of the Paris Agreement.

We aim to work with our customers as they harness these new climate-related opportunities, and to enable them to accelerate progress by developing new sustainability-linked banking services and products.

We have made significant progress but recognise that much work remains to be done. That is why we have set ambitious new targets to reduce our Scope 1 and 2 emissions from our buildings, branches and data centres by 42% and emissions in our supply chain (Scope 3, excluding financed emissions) by 25% from our 2020 baseline by 2030.

We believe that timely and transparent disclosures of climate-related information are important to ensure that our stakeholders are aware of the work we are doing to limit the impacts of climate change.

Since 2018 we have been disclosing our progress, performance and plans in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This TCFD report builds on previous editions, explaining our approach to climate-related governance, strategy, risk management, metrics and targets.

Our progress

	Action	Pre-FY20	FY21	FY22
Governance (+) see page 24	Continued Board focus with climate risks and opportunities addressed at Board meetings and quarterly management updates	Ongoing	Ongoing	Ongoing
	Executive Leadership Team Environmental and Social (E&S) Committee chaired by the CEO and supported by a Business Action Group meeting monthly		Complete	Ongoing
	Board approved new Group-wide program to uplift our approach to climate risks and opportunities		Complete	Review and revise
	Group E&S Policy clarifying Board oversight and management accountability for E&S risks and opportunities, including climate change	Complete	Review and revise	
	E&S Accountability in Executive Scorecard linked to remuneration:			
	• CEO: FY21 performance and remuneration outcomes considered E&S focus and progress		Complete	
	• ELT: FY22 performance assessment and remuneration outcomes include accountability for strategic response to E&S opportunities and risks			Future activity
	Group E&S Framework outlining climate commitments	Complete	Review and revise	Ongoing
Strategy (+) see pages 25–29	Commitment to support the objectives of the Paris Agreement and the transition to net zero emissions by 2050	Complete		
	Product innovation to support our customers' transition to net zero emissions (e.g. low carbon/sustainable finance and green loans)	Ongoing	Ongoing	Ongoing
	Support our customers and communities who experience extreme weather events	Ongoing	Ongoing	Ongoing
	Engage with regulators and collaborate with industry on new banking and industry standards	Ongoing	Ongoing	Ongoing
	Conduct Group-wide climate stress test, consistent with APRA Climate Vulnerability Assessment			Future activity
	Climate scenario analysis: • Undertake physical and transition risk scenario analysis on areas that are material to the Bank and to our customers • Integrate ongoing actions identified into our climate work program	Complete	Ongoing	Ongoing
	Develop and embed glidepaths, to transparently track alignment to the Paris Agreement, for priority sectors and expand to other significant sectors		Ongoing	Future activity
Risk management (+) see pages 30–32	Continue enhancing methodologies, tools and data for identification, measurement and aggregate reporting of E&S risk exposures	Ongoing	Ongoing	Ongoing
	Develop quantitative E&S Risk Appetite measures for ongoing monitoring (Board approval required)			Future activity
	Review of our Group E&S Policy and Group E&S Framework		Complete	
	Evolve our ESG Risk Assessment tool and expand the methodology to apply to a greater proportion of business lending	Ongoing	Ongoing	Ongoing
	Measure and monitor our Energy Value Chain exposures	Ongoing	Ongoing	Ongoing
Metrics and targets (+) see page 33	Set and monitor progress towards new absolute emissions reduction targets for our operations:			
	• Emissions reduction target (Scope 1 and 2)		Complete	Ongoing
	• Upstream Scope 3 emissions reduction target (excluding financed emissions)		Complete	Ongoing
	Source renewable electricity equivalent to 100% of our power needs globally by 2030 in line with our RE100 commitments (100% target already achieved for Australian operations)	Ongoing	Ongoing	Ongoing
	Targeting an overall average emissions intensity decrease of our business lending portfolio	Ongoing	Ongoing	Ongoing
	Assess emissions of our retail lending portfolio			Future activity
	Expanded the ambition and scope of our Low Carbon Funding Target to a broader Sustainability Funding Target	Ongoing	Review and revise	Ongoing

Complete Ongoing Review and revise Future activity

OVERVIEW
HOW WE CREATE VALUE
DIRECTORS' REPORT
FINANCIAL REPORT
ADDITIONAL INFORMATION

Governance

Effective governance is critical to managing climate change risks and opportunities. This year the Board reaffirmed our climate-related ambitions to accelerate our pace of change.

This year the Board and management focused on developing sectoral glidepaths for priority sectors consistent with the Paris Agreement.

The Board endorsed a Group-wide climate work program to uplift our action across our business. It also endorsed Environmental and Social (E&S) risk as a strategic risk that could have a material impact on our business.

This year the Board Nominations Committee endorsed, and the Board approved, E&S as a reference skill in the Board Skills Matrix.

In further recognition of the importance of E&S considerations, this year we established an Executive Leadership Team E&S Committee. It is the approval body and point of escalation for decisions relating to the climate work program underway across the Bank. It is supported by a new Business E&S Action Group.

The E&S Framework applies across the Bank, and provides a reference point for our people and stakeholders on our standards, ambition, and the governance and oversight in place. The E&S Policy also outlines the governance and accountabilities to support embedding of the Framework across our business.

+ For more information on our E&S Policy and associated E&S Framework, see commbank.com.au/policies

"We are committed to managing climate-related risk and playing our role to support opportunities that arise. A coordinated and collaborative response by government, business and community to manage the risks and opportunities from climate change is required. We will continue to actively engage with stakeholders and disclose our progress transparently. Our ambition is to play a leading role in addressing this challenge together in the coming years."

Catherine Livingstone AO
Chairman

Climate-related governance framework

Board

Oversees the management of climate-related risks and opportunities

Impact	Policy	Opportunities	Risk management	Disclosure
Considers environmental and social impact of activities	Approves the Environmental & Social Policy and Framework	Endorses climate-related opportunities from management	Approves the approach to managing climate-related risks	Approves climate-related disclosure included in the Annual Report

Board Risk and Compliance Committee

Monitors the Bank's climate-related risk profile (including emerging risks).
Receives and reviews climate-related risk reports from management.

Executive Leadership Team (ELT)

Responsible for making specific recommendations to the CEO and agreeing common actions addressing: strategy, business performance, people leadership and culture, and risk and compliance management and control.

ELT E&S Committee

Chaired by CEO and responsible for directing the development and implementation of the Bank's E&S Policy and Framework.
Meets monthly to direct and oversee the Bank's implementation of the E&S strategy, governance, priorities for implementation, and disclosures.
Oversees progress, performance and reporting on climate-related initiatives.

Business E&S Action Group

Chaired by Group Executive Institutional Banking and Markets with representatives from all relevant business units.
Meets monthly to support the ELT E&S Committee.

Climate strategy

As part of the Bank's strategic priorities, we have committed to playing a leadership role in supporting Australia's economic recovery and transition to a sustainable economy. In addition to considering the risks of climate change, our strategy also seeks to harness the significant existing and emerging opportunities to help our customers reduce their emissions and adapt to climate change.

Climate change is a source of both risk and opportunity for the Bank. Severe weather events can cause assets we hold as collateral to lose value. Failing to respond adequately to the potential impacts of climate change will negatively affect the Bank's long-term performance.

Climate change also presents many significant opportunities. These include greening the electricity grid, electrifying transport and industrial processes, supporting agricultural innovation and sustainability, and replacing or refurbishing economic and physical infrastructure.

Given the systemic nature of climate change, we acknowledge that our role in enabling a more resilient and sustainable economy extends to collaborating with government, business and the broader community on new banking and industry standards. We also aim to support our customers and communities when impacted by extreme weather events.

Our climate work program

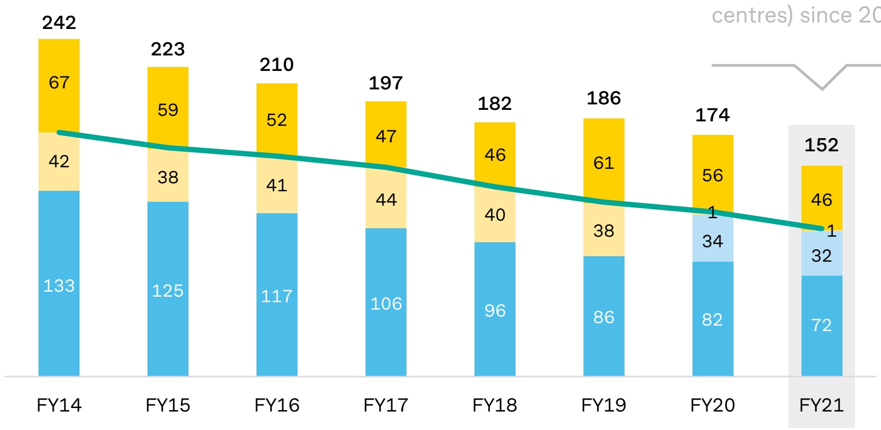
We have uplifted our approach to climate by developing a Board-endorsed climate work program. The program focuses on short-term actions across each business unit to establish strong foundations for a medium-term plan. Our approach includes:

- **Reducing** our own environmental footprint for our operations and supply chain.
- **Pursuing** strategic opportunities created by climate change.
- **Supporting** our customers and people in the transition to a low carbon economy.
- **Increasing** the resilience of our business to climate risks.

40%

reduction in Group Scope 1 and 2 emissions (including Australian data centres) since 2014

Our greenhouse gas emissions ('000s tCO_2-e)[1]



1 From FY14 to FY19, CBA data centres were deemed as non-operational control (Scope 3) and reclassified as operational control (Scope 2) from FY20.

Reducing our own operational footprint

We continue to reduce our environmental footprint through continued investment in smart technologies and practices. By increasing the energy efficiency of our buildings, we have reduced Group Scope 1 and 2 operational emissions (including Australian data centres) by 40% since 2014. We use renewable electricity equivalent to 100% of our Australian power needs and fully offset any residual emissions in Australia and New Zealand. We aim to achieve carbon neutrality by offsetting residual emissions from our global operations in 2022.

Building our bankers' climate capability

This year, the Bank partnered with Monash University to develop a climate science and opportunities program which is delivered to senior institutional bankers. We have also rolled out a broader activation program, Green Week, featuring experts.

Pursuing strategic opportunities

We are committed to pursuing the strategic opportunities that climate change presents. These include supporting our retail, business and institutional customers as they make their transitions to long-term sustainability.

Retail

We are responding to growing customer demand for climate-related products and services. For our retail customers we are focused on products and services to incentivise and help them reduce emissions.

We also provide other services to help customers manage their energy costs and usage. The Bank has partnered with a renewable electricity retailer, Amber Electric, to provide our customers with access to wholesale energy prices and real-time data. This access allows them to manage their energy usage and costs.

We are also leveraging our digital platforms to engage with customers to increase awareness and build climate change resilience.

Business and Institutional

Our business customers and institutional clients are focused on opportunities to procure or manufacture renewable energy, electrify industrial processes, explore carbon offset and abatement options, and to replace and refurbish machinery to achieve efficiency gains in agriculture and land use.

We have accelerated our focus on sustainable finance, executing on a number of significant transactions and meeting our business customers' and institutional clients' strategic objectives.

In the Business Bank, we have issued over $900 million of new funding in investment and construction loans for Green Star and NABERS rated commercial properties of 5-star and above.

Supporting the low carbon transition

The Bank's financial performance could be impacted if revenues foregone from carbon intensive customers are not replaced by opportunities in new 'green' industries. To mitigate the risk and harness the opportunity, we continue to track towards our Low Carbon Funding Target of $15 billion in funding by 2025 to renewable energy projects, 6–star rated commercial green buildings, energy efficiency projects and low carbon transport. This year we have set a broader Sustainability Funding Target, and next year will commence tracking progress against this target of $70 billion in cumulative financing between the 2021 and 2030 financial years, replacing our Low Carbon Funding Target.

Energy Efficient Equipment Finance

We continue to provide our Energy Efficient Equipment Finance program to help Australian businesses invest in the most efficient asset classes available in their industries and reduce their carbon footprint. This year we financed more than 750 assets. Cumulative new funding increased by 23%, including financing business customers to purchase and install electric vehicles and buses, rooftop solar panels, and small scale solar and wind farms.

Future industries

We are working with our institutional clients to deploy capital in a way that supports economy-wide decarbonisation. The Bank supported IGO Limited, an ASX-listed diversified mining and exploration company, transition to a clean energy metals company. We provided a debt facility to invest in the world's lowest-cost and highest-grade lithium mine together with a share in Australia's first battery-grade lithium hydroxide plant.

Future economy

The Bank is committed to building Australia's future economy by supporting the development of a transparent and liquid market in Australian carbon credit units. We are directing capital and capability to mobilise the lowest cost abatement in the economy and support our clients to meet their own voluntary demand.

Introducing ultra-low rate Green Loans to retail customers

We are providing low-fee, low-rate, 0.99% per annum fixed-rate Green Loans to encourage households to invest in clean energy technology that reduces their energy bills and makes their homes more energy efficient. Customers with an eligible CommBank home loan or investment loan can use the Green Loan to buy and install eligible clean energy products such as solar panels, battery packs and solar hot water systems.

Designing products to help customers improve efficiency

ASB launched Back My Build, targeted at customers building a new home from scratch and aimed at helping address New Zealand's housing supply challenges. In addition to a low interest rate, Back My Build customers who commit to achieving a New Zealand Green Building Council Homestar sustainability rating to certify the home's energy efficiency can receive a cash back contribution.

Supporting a sustainable agricultural sector

In New Zealand, ASB is working with rural customers to understand their environmental challenges and help them invest in sustainability. This year ASB launched the discounted Rural Sustainability Loan targeted at improvements such as reducing emissions, improving biodiversity and conserving water.

Facilitating sustainable business finance

We are supporting business customers by providing term debt facilities with pricing incentives linked to sustainability-related KPIs. This year we acted for a number of institutional clients, including Lendlease, NSW Treasury Corporation and Canberra Metro, helping them issue green bonds or green loans. We were involved in $6.9 billion in ESG bond arrangement.

Addressing risk and resilience for our mortgage customers

This year we targeted communications with 140,000 home loan customers in high peril risk areas (e.g. bushfire, flood or storm) to educate and inform them of the requirements and benefits of adequate building insurance.

Understanding our exposure to climate change

This year, we further integrated climate scenario analysis within the Group Stress Testing Framework. We are building capabilities and tools to produce repeatable and robust Group-wide projections under multiple short and long-term climate scenarios, including acute physical events like natural disasters.

In the coming year, we will deliver our first Group-wide scenario analysis to stress physical and transition risks. The analysis uses two Network for Greening the Financial System (NGFS) climate scenarios tailored to the Australian context. This is part of the APRA industry-wide Climate Vulnerability Assessment (CVA).

This exercise will build on the insights provided by the last three years' targeted scenario analysis. Our risk models' top-down output will be complemented with a counterparty-level analysis on selected clients who are materially exposed to climate risks.

The capabilities developed to undertake the CVA will enable portfolio level and Group-wide scenario analysis. As our understanding of climate risk matures and climate science continues to evolve, we will use scenario analysis to inform our overall climate strategy by considering the results in:

- **Risk management:** Selecting additional risk metrics and thresholds to calibrate the Bank's risk appetite, and further mature our approach to routinely identifying and measuring of our climate risk exposures.
- **Business opportunities:** Identifying growth and mitigation opportunities to better serve our customers.

See pages 30–32 for more information on our risk management approach to climate change.

Taking action as a result of our scenario analysis

The Bank undertook climate scenario analysis in 2018 and 2019. The insights gained inform our approach to managing the short and long-term risks. They have also helped us build capabilities and tools to mitigate these risks. Our key areas of progress for 2021 are outlined below.

We have also integrated the ongoing actions identified from the scenario analysis as a part of our updated climate work program to maintain action in the short to medium-term.

Physical

Storms | Extreme heat | Bushfires | Sea level rise | Drought | Flooding

Transition

Market | Policy and Regulation | Legal | Reputation | Technology

Physical			Transition	
Building insurance policies (FY18) Potential impacts on insurance claims and affordability.	**Home loan portfolio (FY18)** Potential damage to properties at an aggregated level due to natural perils. Home loan portfolio exposure concentrations.	**Grains, livestock and dairy Australian agriculture portfolio (FY19)** Potential impacts on productivity and adaptation options to reduce impact.	**FirstChoice Australian Share Fund (FY18)**[1] Exposure to growth and contraction sectors.	**Business lending portfolio (FY18)** Economic growth and contraction by sector. Sector heat maps.
Progress this year				
Our wholly owned subsidiary, Commonwealth Insurance Limited, monitors risk indicators for flood, bushfire, storm and cyclone risk at a portfolio and localised level. These risks include concentration, growth and exposure.	Targeted communications with 140,000 home loan customers in high peril risk areas. Educate and inform customers about the requirements of, and necessity for adequate building insurance.	Mapped productivity data to locations of agricultural loan exposures and securities across Australia to manage and monitor our risks.	Ongoing monitoring of Colonial First State Investments Limited's climate-related investment risks. Includes backward looking assessment (weighted average carbon intensity and carbon emissions) and forward looking assessment (2-degree scenario analysis) conducted on the equity allocation of all funds.	Updated ESG risk assessment tool. Established standalone sustainable finance function in Institutional Banking and Markets to broaden customer engagement and provide tailored and sustainable financing solutions.

1 This fund is managed by Colonial First State Investments Limited. Colonial First State is considered a discontinued operation.

Developing sector-level glidepaths

Our approach is to transparently disclose climate change-related information. This transparency will ensure customers, communities, regulators, governments and other stakeholders understand our risk-based approach to transitioning to a net zero emissions economy by 2050.

We are developing priority sector-level glidepaths ('glidepaths'), informed by science-based climate scenarios. These measures will allow us to transparently track alignment to the Paris Agreement at a sector level.

To this end, this year we began developing science-based sector-level glidepaths in four of the most emissions-intensive sectors in our portfolio: thermal coal mining, upstream oil, upstream gas and power generation.

Our initial drafts of the glidepaths have used the underlying reference scenario IEA SDS 2020, a 'well below 2 degrees' scenario in line with the goals of the Paris Agreement. We will, within 12 months, review the ongoing suitability of this scenario, having regard to the policy context, scientific literature, data availability and quality, and the global and domestic emissions trajectory.

In the coming year, we intend to implement these four glidepaths internally. This implementation will help us understand our lending decisions' impact at a portfolio level. We expect to begin publishing these glidepaths in the 2022 Annual Report once they have been appropriately embedded in business practices.

After embedding our four priority glidepaths, we expect to develop further glidepaths covering significant sectors and continue to evolve our approach as industry practice develops and measurement and methodological standards emerge.

We note that this staged approach reflects the limited availability of fully established methodologies, tools and data to measure and manage emissions across all priority sectors.

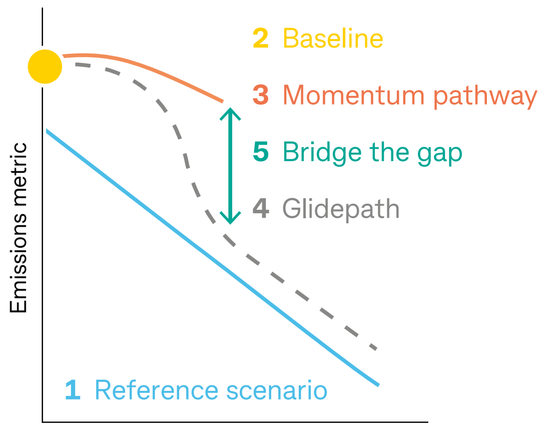
What is a glidepath?

Glidepaths are a way to set and articulate interim and long-term aspirations with respect to emissions as they relate to a bank's financing activities. Glidepath design is underpinned by several methodological choices, which should be reviewed as technologies and procedures evolve.

Glidepaths are typically set at the sector level. Data and tool limitations make it challenging to set and manage glidepaths for certain sectors. As such, most banks take a staged approach to setting glidepaths. There are five steps to embedding a glidepath:

1. **Select reference scenario:** Define required emissions trajectory with scenario informed by science.
2. **Determine baseline:** Based on design choices, select an emissions metric and calculation methodology, then calculate the portfolio's current emissions.
3. **Project momentum pathway:** A forward-looking projection using independent data sources of how the emissions of the portfolio(s) are expected to perform without intervention.
4. **Set glidepath:** Set long-term ambition to meet the reference scenario at a sector level.
5. **Bridge the gap:** Identify active measures to meet the glidepath.

Glidepath concepts



Climate risk management

Climate change has far-reaching implications and presents ongoing systemic risks to the Australian community, economy and the Bank.

Climate change poses strategic, financial and non-financial risks for the Bank. The impacts of climate change could disrupt business activities, reduce asset values and affect our customers' ability to repay loans. The Bank's reputation could be impacted by continuing to finance certain industries, activities and customers, or by setting emission reduction targets and strategies deemed by the community to be inadequate.

Physical risk

The risk that climate change will reduce the value of the Bank's assets, including those held as collateral or investments. Such risks may arise from permanent damage due to more frequent and severe weather events and long-term shifts in climate patterns.

Reduced asset values in some locations or sectors could affect customers' ability to repay loans, leading to increased losses for the Bank and potential reputational risks from more customer hardship cases.

Transition risk

The risk that disruptions occurring from the adjustment to a low carbon economy will increase business costs or reduce asset values. Such risks may arise from changing regulatory, market, technological or community expectations.

Assets in certain sectors or locations could become less valuable by being misaligned with low carbon policies or community expectations. Increased regulatory focus could increase the risk of compliance breaches or litigation (including class actions).

Managing risk

During the year, we have continued to evolve our Risk Management Framework, including our approach to managing climate change risks.

We also conducted a review of our Group E&S Policy and Group E&S Framework. This review identified opportunities to enhance the identification, measurement and aggregate reporting of our E&S risk exposures. These enhancements will continue as part of our Group-wide climate work program.

+ See page 43 for more information on our Risk Management Approach.

Policy and Framework[1]

The Group E&S Policy and Framework require that subject to Australia having a secure energy platform, we will:

- provide no project finance to new or expanded Thermal Coal Mines, nor to new coal fired power plants;
- reduce our existing project finance exposure to Thermal Coal Mines and coal fired power plants to zero by 2030;
- only provide project finance for new or expanded oil or gas projects or Metallurgical Coal Mines[2] after an assessment of the environmental, social and economic impacts of such activity, and if in line with the goals of the Paris Agreement;
- only provide corporate or trade finance to new oil and/or gas producing, metallurgical coal mining or coal-fired power generation Clients[3] who have publicly committed to the goals of the Paris Agreement, and after an assessment of the environmental, social and economic impacts;
- not provide corporate or trade finance to new Clients who derive 25% or more of their revenue from the sale of thermal coal;
- reduce our corporate and trade finance exposure to existing Clients who derive 25% or more of their revenue from the sale of thermal coal to zero by 2030[4];
- only offer corporate or trade finance to existing oil and/or gas producing, metallurgical coal mining or coal-fired power generation Clients[3] after an assessment of the environmental, social and economic impacts. From 2025, we will expect these Clients to have published Transition Plans.

Assessing and managing climate risk

The Bank has a number of key mechanisms in place to assess and manage our climate risk exposures.

We continue to enhance our climate change stress testing and scenario analysis capabilities. This will enable us to assess how different climate scenarios may impact our tactical and strategic decisions.

+ See page 28 for more information on our scenario analysis.

We continue to develop our methodology, approach and tools for measurement of emissions intensity of our business lending portfolio, noting that data and methodology approaches continue to evolve, and the approach to deriving this information is subject to change as industry standards develop.

+ See page 32 for more information on our business lending portfolio emissions intensity.

Institutional Bank loans, as well as large loans (greater than $30 million) in other business units, are evaluated through our ESG risk assessment tool. Additional due diligence may be undertaken depending on the level of risk.

We are expanding our ESG risk assessment tool and methodology to enable ESG risk to be assessed across a larger portion of business lending for our Business Bank.

We track our exposures to the Energy Value Chain regularly at the ELT E&S Committee.

+ See page 31 for more information on our Energy Value Chain.

In Retail Banking Services, we are enhancing our data and analytics capabilities to better understand the current and future impacts of climate change to our customers and mortgage book.

+ See page 35 for further information regarding how we support our customers impacted by natural disasters.

1 Capitalised words and phrases used throughout the Policy and Framework section are defined terms. For more information on definitions used in our E&S Policy and E&S Framework, see commbank.com.au/policies.

2 Applies to project finance to Clients involving (a) a greenfield oil, gas or metallurgical coal extractive activity; or (b) a brownfield expansion of an oil, gas or metallurgical coal extractive activity.

3 Applies to Clients who derive 25% or more of their revenue from the sale of metallurgical coal, oil or gas, or for coal fired power generation, 25% of generation is from coal.

4 We will continue to provide rehabilitation bonds for these existing Clients to ensure their responsibilities with exiting mine sites are fulfilled.

Monitoring our exposure

The Energy Value Chain describes our exposure to energy-related assets. We expect the value of these exposures to fluctuate from year-to-year while still delivering on our commitment in our Environmental and Social Framework.

Our exposure to all non-renewable energy assets has reduced this year while our exposure to renewables has increased by 13% to $4.8 billion.

Energy Value Chain exposures as at 30 June 2021[1,2]

Key: +/- change since FY20

Natural resources[3]	Infrastructure	Electricity generation	Network and retailers
Gas **$0.9bn** –27%	LNG terminals **$2.1bn** –6%	Gas **$0.5bn** –17%	Electricity and gas transmission, distribution and retailing **$5.0bn** –5%
		Renewables **$4.8bn** +13%	
Thermal coal **$0.30bn** –15%; Thermal coal within diversified miners[4] **$0.03bn** –78%	Coal terminals **$0.6bn** –30%	Coal **$0.002bn** –55%	
Uranium **$0.0bn**		Nuclear **$0.0bn**	
Oil **$1.7bn** –28%			Oil distribution and refining **$0.9bn** –19%

For the full definition, including definitions of each asset category, refer to the *Glossary* on pages 304–306.

1 PwC has provided limited assurance on the Energy Value Chain exposure balances as at 30 June 2021. The PwC Limited Assurance Report is provided on pages 65–66.

2 All figures are Total Committed Exposures (TCE) excluding Commitment at Offer and trading securities exposures as at 30 June 2021. Figures represented have been specifically derived based on material client exposures, and have not been netted off against any insurance or guarantees that mitigate the Group's risk exposure to clients. Not included are 'Other energy-related' exposures ($0.05bn) which comprise smaller loans and exposure to energy trading entities.

3 Exposures to metallurgical coal mining ($0.03bn), and metallurgical coal mining within diversified miners ($0.01bn) not included.

4 Thermal coal exposure within each diversified miner is calculated as the Group's exposure to the miner, excluding exposure to thermal coal subsidiaries, multiplied by the percentage EBITDA contribution of thermal coal in its latest annual financial statements. Excluded from the exposures are exposures to thermal coal subsidiaries of diversified miners, i.e. subsidiaries whose business activities are predominantly related to thermal coal mining. These are allocated to thermal coal.

Assessing the emissions intensity of our business lending portfolio

We continue to assess the emissions intensity for our business lending across the Group. Our seventh iteration of this annual assessment has resulted in the estimation of the Bank's emissions intensity at 0.22 $kgCO_2$-e/$AUD of client expenditure.

Emissions intensity is calculated as emissions divided by economic activity. We use client expenditure as a proxy for the client's economic activity.

The calculation uses client-specific emissions and expenditure data where available, and modelled sector-specific emissions intensity and financial data for the remaining lending exposures.

For sectors like mining, and electricity, gas and water, which are more likely to include publicly listed companies with detailed sustainability disclosures, our estimates are more reflective of the emissions profile of clients in our portfolio rather than an industry average. However, for sectors with few publicly listed companies (e.g. agriculture and business services), we rely more heavily on assumptions and an emissions intensity metric reflecting the industry average.

Evolving our methodology for assessing emissions

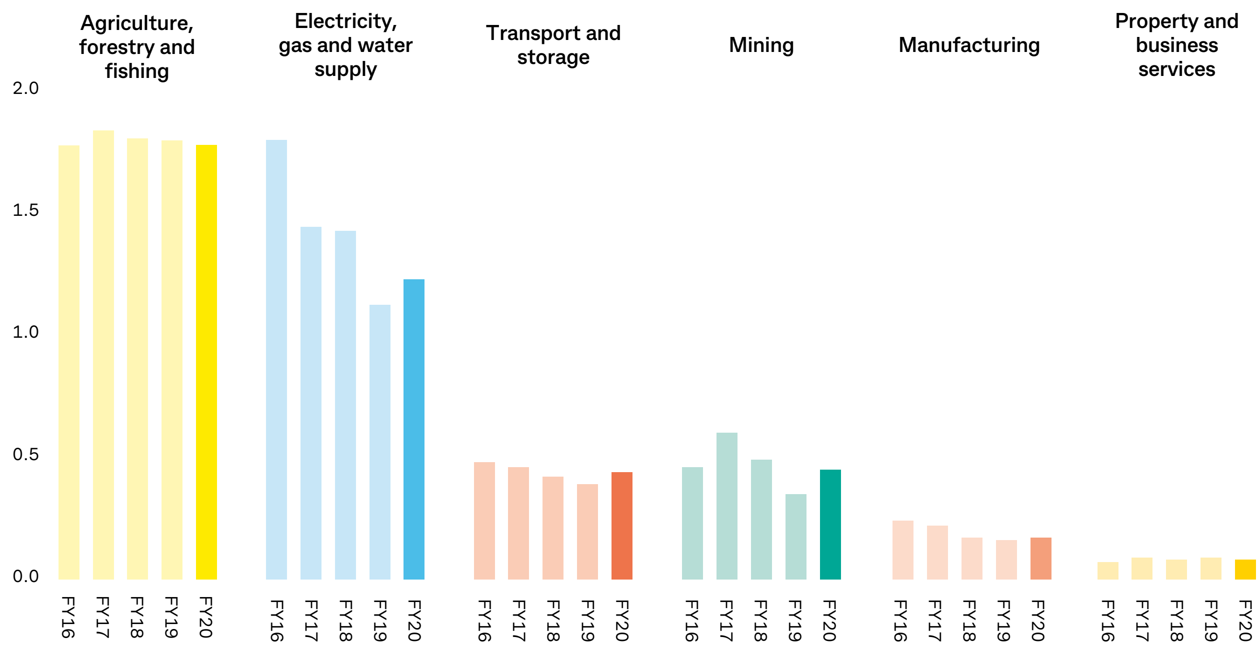
The availability of emissions data and the methodology for measuring financed emissions is an evolving topic. This year, we updated our methodology to remove guarantees from the reporting scope. We also updated the sector-specific assumptions in the agriculture and transport divisions to reflect updated and improved data sources.

This year, we do not report a year-on-year change in the overall portfolio emissions intensity, as the change would be primarily attributable to the change in assumptions in the agriculture and transport divisions.

Our ability to assess the emissions intensity of our lending activities will improve as the availability and robustness of emissions data increases. In future years, we will aim to balance comparability with our historical approach and best practice as improved financed emissions methodologies emerge.

+ Further information on the end-to-end process and calculation methodology, is provided at commbank.com.au/CRreporting

Group business lending emissions intensity of client expenditure ($kgCO_2$-e/$AUD)[1,2]



	Agriculture, forestry and fishing	Electricity, gas and water supply	Transport and storage	Mining	Manufacturing	Property and business services
Group TCE[3]	2.1%	1.1%	2.5%	1.0%	1.4%	7.6%

+ Further information on emissions associated with our business lending activities in key sectors is provided at commbank.com.au/CRreporting

1 Client expenditure is based on operational and capital expenditure as reported in the company financial statements. Where client expenditure data is not available, sector-specific estimates are applied.

2 FY20 numbers calculated using the new methodology and assumptions. All previous years use the old methodology and assumptions.

3 Group Total Committed Exposure (TCE) summary as at 30 June 2020.

Metrics and targets

We set and track metrics and targets related to emissions from our own operations, financed emissions and financing the low carbon transition.

We are carbon neutral for Scope 1, 2 and upstream Scope 3 emissions from our operations and supply chain in Australia and New Zealand. This year, we set updated targets informed by science. The table below outlines our progress for the 2021 financial year.

Metric	Target	FY20	FY21	Progress	Highlights
Scope 1 and 2 greenhouse gas (GHG) emissions reduction	FY20 baseline 2025: ↓ 21% 2030: ↓ 42%	18,224 tCO_2-e[1]	14,160 tCO_2-e[1] ↓ 22%[2]	New	We have set new targets informed by science.
Upstream Scope 3 GHG emissions (excluding financed emissions) reduction	FY20 baseline 2025: ↓ 12.5% 2030: ↓ 25%	36,916 tCO_2-e[1]	12,334 tCO_2-e[1] ↓ 67%[2]	New	We have set new targets informed by science.
RE100 – renewable energy	100% global operations by 2030	100% (Australia)	100% (Australia)	Commenced	Continued to source the equivalent of 100% of our Australian operational electricity needs from renewable sources, in line with our RE100 commitment.
On-site renewable energy	2020: 1,250kW 2025: 2,000kW	1,510kW	1,705kW	Commenced	Increased our onsite renewable energy generation capacity using solar photovoltaic (PV) panels to 1,705kW at 91 sites across the country, exceeding our 2020 target of 1,250kW.
Carbon neutral Scope 1, 2 and upstream Scope 3 emissions from our operations and supply chain	100% global operations by 2022	New Zealand operations (2019)	Australian operations (FY20) New Zealand Operations (FY20)	Commenced	Achieved Climate Active carbon neutral certification for our FY20 operational emissions (Scope 1 & 2), via partnership with the Aboriginal Carbon Foundation. We have the highest number of Green Star certifications from the GBCA for a non-property organisation, holding 34 certifications across bank branches of a 5-star rating or above. Achieved 'Toitū Carbon Zero' certification from Toitū Envirocare for our New Zealand operations (ASB), validating ASB as a carbon neutral organisation for its FY20 operational emissions. We aim to expand offsetting of residual emissions to achieve carbon neutrality for our Global FY21 operations in arrears.
Business lending assessed emissions intensity	Average decrease over time	–[3]	0.22kgCO_2-e/$ of expenditure (FY20)	Commenced	This year we have refined the methodology for calculating assessed emissions.
Low Carbon Funding Target/ Sustainability Funding Target	$15bn by 2025 $70bn in cumulative funding by 2030	$5.4bn	$6.4bn	New	We are replacing our Low Carbon Funding Target ($15bn by 2025) for a broader Sustainability Funding Target across renewables, energy efficiency, low carbon transport, commercial property, land/agriculture, sustainable water, pollution & waste management, climate adaptation and sustainability-linked lending.

+ **More information on our environmental performance is available at commbank.com.au/CRreporting**

✓ Achieved → Commenced ⊕ New

1 Scope 1 and 2 and Scope 3 GHG emissions reduction targets exclude: electricity emissions where we are sourcing 100% of our electricity needs from renewable sources; emissions where we cannot influence the reduction (e.g. work from home emissions); or emissions that are based on estimates. For detailed definitions, including how the reduction target emissions differ from the GHG emissions reported in the Sustainability performance metrics on page 60, see the *Glossary* on pages 293–308.

2 Emissions have been reduced due to the impact of COVID-19 on business operations. This is expected to normalise over the term of the target.

3 We have not reported FY20 measure (for FY19) as the change in result would be primarily attributable to the change in the methodology for determining the financial ratios in the agriculture and transport sectors.

Supporting our customers

$481m

savings from *Benefits finder* claims

530,000+

offers redeemed with CommBank Rewards

1.7m

personalised reminders on COVID-19 support

As we build tomorrow's bank today for our customers, we are committed to supporting them in a fair, timely and transparent way.

Serving our customers responsibly

As part of our commitment to fairness and transparency, we continually review our products and services to ensure they meet customers' needs and support their financial wellbeing. Feedback from community groups and our complaints management systems inform this process.

This year, we consulted formally with our community stakeholders and partners. We continued to engage with consumer and community advocacy organisations, Indigenous and multi-cultural groups, and regional and remote areas. These consultations help us to identify issues, seek feedback and design products that better meet our customers' changing needs – particularly those who are underrepresented or in vulnerable circumstances.

We are focused on giving customers more control with bill management and budgeting tools, spending and payment alerts, and the ability to block some transaction types. We also prioritise helping customers save on everyday spending. CommBank Rewards has saved customers more than $6 million in deals and cashbacks, and our *Benefits finder* tool has connected customers to over one million unclaimed benefits and rebates.

+ For more information on how we are reimagining products and services see pages 14–15.

Listening to customers and responding to complaints

Over the past 12 months, the Bank has focused on enhancing complaint handling and prevention reporting. We recently published new complaint handling principles on our website to ensure customers know they can expect fairness and consistency when making a complaint.

We are committed to resolving the root cause of complaints and are continuing to invest in data-driven solutions to analyse all complaints and identify issues that may impact other customers.

Based on these insights, we can better respond to current complaints, prevent future problems and inform the design and development of our products.

We continue to enhance our reporting to the Board, the Executive Leadership Team and senior leaders across the Bank, to increase visibility and facilitate discussion and action on systemic issues impacting customers.

Cybersecurity training

We are helping protect our customers from cybersecurity risks and fraud.

This year, we delivered 6,900 'Cyber for Business' training modules, helping small to medium-sized businesses prepare for and respond to cyberattacks. This included an Indigenous Business Banking Cyber Safety and Fraud Prevention Guide specifically designed for Indigenous businesses.

A new view on financial wellbeing

To better understand how we can improve financial wellbeing, we continue to work with the Melbourne Institute (MI) of Applied Economic and Social Research on the MI Financial Wellbeing Scale. The scale measures the extent to which Australians have financial freedom, control and security, and can meet their ongoing obligations now and into the future.

This year we launched the Australian Consumer Financial Wellbeing quarterly report. Informed by more than five million customers' transactional and account data, the report tracks financial wellbeing outcomes experienced by more than one quarter of the Australian adult population. The research shows customers' financial wellbeing is more closely linked to their financial behaviour than their income or financial knowledge. We use the report's insights to ensure the tools and features we provide make a real difference to our customers and communities.

+ For more information on our financial wellbeing scales and report, visit commbank.com.au/financialwellbeing

Helping customers when they need us most

When a natural disaster or pandemic hits, customers need immediate and personalised support.

As part of our COVID-19 support measures, we are helping customers navigate the pandemic by offering temporary loan deferrals and financial assistance. We made 240,000 calls to customers to help assess their individual situations and offer appropriate solutions. We also sent 1.7 million personalised reminders to ensure customers had information on the financial support available to them.

We had a structured, fair and transparent approach for helping those who still required assistance as the deferrals program came to an end. This gave customers more choice and ensured those in similar circumstances were treated equally. To give customers more time to get back on their feet, we were the first bank to commit to a freeze on any foreclosures, which has been extended to February 2022. We remain committed to supporting Australians through the pandemic.

We also offered same-day personalised support to over 800,000 customers impacted by extreme weather events in New South Wales, Victoria, Queensland and Western Australia. Using data insights, our Customer Engagement Engine allowed us to automatically identify customers who may be affected by a natural disaster and offer immediate support that aligns to their needs.

No hidden bank stuff

We are dedicated to improving access to our information, products and services for all customers.

We have launched a range of banking factsheets optimised for screen readers and transcribed into Easy English – a style of writing that conveys information for people with low English literacy. These have been accessed over 2,000 times.

Bankwest worked with The University of Western Australia's Law Faculty to reinvent terms and conditions (T&Cs), developing a visual format that conveys key product features in a way that is more engaging for customers and easier to understand to improve financial wellbeing outcomes.

Supporting our community

$247m

in community investment

$6.1m

Australian Indigenous supplier spend

22,500

interactions with customers in vulnerable situations, supported by Community Wellbeing team

We are committed to making a positive contribution to the communities we serve and supporting Australians through challenging times.

Progressing reconciliation

Through our Reconciliation Action Plan (RAP) we are advancing reconciliation in three key areas: cultural awareness training, procurement, and employment to improve the financial and economic wellbeing of Aboriginal and Torres Strait Islander customers and communities.

Since 2014, we have partnered with BlackCard to provide our workforce with Indigenous cultural capability training. More than 1,700 people have completed the program, and a further 13,000 have completed the e-learning module. Our target is for 70% of our workforce to have completed this training by 2022.

In 2021, we spent $6.1 million with Australian Indigenous suppliers, tracking towards our 2024 target of 3% total annual domestic contestable spend. We also partnered with Supply Nation to fund the DRIVE Program. This training program is focused on building skills to support Indigenous businesses wanting to supply to corporate and government. Twenty businesses have participated in the DRIVE Program this year.

To create Indigenous employment opportunities, we set ourselves a target of 3% Indigenous representation across our business by 2026. We currently have 0.8% Indigenous representation and we are actively looking for ways to attract and retain Indigenous talent at the Bank.

Creating sustainable outcomes and supporting Indigenous communities

The Bank has taken a careful, deliberate and long-term approach to making our operations carbon neutral.

This year, to offset our residual emissions, we purchased carbon credits from the Aboriginal Carbon Foundation, the only Indigenous company in Australia to provide third-party verified Indigenous carbon credits.

This partnership supports the employment of the Traditional Owners as rangers at the Kowanyama Carbon Project in Queensland, the continuation of cultural fire management, and the sharing of ecological knowledge across the local community.

Working with vulnerable customers

We support our vulnerable customers and those experiencing hardship with dedicated teams, assistance packages, fee waivers, special accounts and appropriate offers. We also have dedicated customer assistance lines to support those with specific needs or different cultural backgrounds.

To support customers with an eligible health care or pensioner concession card, we offer the Streamline Basic account with zero monthly fees,

Elevating women's sport

We are set to become one of the largest supporters of women's sport in the country.

From August 2021, CBA will become the official naming rights partner of the national women's football team, the Matildas, Junior Matildas and Young Matildas. Together with our longstanding support for women's cricket, we are committed to helping players of all ages and abilities to participate in two of the country's favourite sports.

unlimited assisted withdrawals and access to key banking features and technology. We are contacting customers who, from our data, may be eligible for a Streamline Basic account. Over the past 12 months, we proactively migrated approximately 39,000 accounts and contacted more than one million customers.

Addressing financial abuse

We have increased our support for people impacted by financial abuse with the launch of our Next Chapter program. Through this program, we are taking action in three areas: leading the industry in providing care for vulnerable customers; expanding our support for long-term recovery; and helping raise public awareness and increase action in response to the issue.

Our specialist Community Wellbeing team provide trauma-informed care for customers. This year, the team has had over 22,500 interactions with customers in vulnerable circumstances to provide financial safety and wellbeing support, including addressing banking needs and providing referrals to external experts.

We continue to address technology-facilitated abuse through our digital platform and have introduced automatic blocks on offensive and abusive language.

Our partnership with Good Shepherd has established Australia's first Financial Independence Hub. The Hub offers free one-on-one financial coaching and support to people who have been impacted by domestic and financial abuse, regardless of who they bank with. Over the next four years we aim to support over 10,000 people in Australia to become financially independent.

+ For more information visit commbank.com.au/nextchapter

Longstanding commitment to education

We are committed to helping young Australians build financial literacy and are continuing to evolve our school banking and Start Smart programs.

We have improved more than four million students' financial capability through our Start Smart program since it was founded in 2007. By learning money management skills, 82% of students reported changed behaviours towards money after taking the award-winning program.

As part of our commitment to the next generation, the 2021 Commonwealth Bank Teaching Awards recognise and reward 12 outstanding educators from around Australia. The awardees receive a $45,000 Teaching Fellowship to fund a strategic project in their school and further their professional development.

+ For more information visit commbank.com.au/teachingawards

Supporting not-for-profits

The Bank's work with the not-for-profit sector has a positive impact on our society's most vulnerable people. One avenue of support is innovation workshops. The program's range of events help organisations learn the basics of design thinking, test ideas and improve efficiency. More than 3,500 people have participated in the last four years.

Engaging our people

88%

proud to work at the Bank

54%

employees with caring responsibilities

3 days

of life leave in addition to annual leave under new Enterprise Agreement

We have seen our organisation and people at their best and most purposeful. Looking ahead, we will maintain our commitment to ensuring the lived experience throughout the Bank aligns with our purpose and values.

Energising our people

Our people have shown remarkable resilience, compassion and determination over the past year – coming to work inspired to live our purpose and help customers navigate COVID-19.

To help support our people in targeted ways during uncertain times, we increased communication and tracked engagement, wellbeing and enablement through our Your Voice and People Pulse surveys.

In our most recent 2021 survey, employee engagement was 78%. Our people's sense of pride in the organisation remains our strongest area, with 88% saying they feel proud to work at the Bank.

Advocacy and pride in the organisation remain significantly higher than their pre-2020 scores.

Strengthening culture

COVID-19 gave us a unique opportunity to see our culture in action. We saw how our risk management practices were delivering. We also saw how the changes made through the Bank's APRA Remedial Action Plan helped prepare us to deliver for our customers and communities during a crisis. Looking ahead, our focus is on continuing to embed our culture, using good judgement and ensuring the voice of customers remain strong.

We expect our leaders to uphold the highest standards, share a leadership mindset and energise their teams to achieve sustainable outcomes. We are supporting our leaders to put customers first, continuously learn, and pursue our purpose with care, courage and commitment.

Embracing new ways of working

The past year prompted us to reflect on how and where we work best to balance the needs of our customers with those of our people.

We quickly adapted our work environments to prioritise the health and safety of our people and customers. We listened to our people to understand their needs and we empowered leaders to utilise and support the best working environments to enable wellbeing, collaboration and deliver for our customers.

Our hybrid working model seeks to enable what is best for our people, teams and customers, and reflects trends in the external environment.

With our people's physical and mental health being a priority, we have appointed a Group Chief Mental Health Officer to continue promoting wellbeing and to enhance the support we offer across the Bank.

More leave and better benefits

Our new, streamlined CBA Enterprise Agreement will better meet our diverse workforce's needs.

We have introduced new leave types, including Sorry Business, gender affirmation, pandemic, fostering and surrogacy leave. We have also extended parental leave from 12 to 13 weeks and introduced 'life leave', designed to encourage employees to engage with their communities and life goals. Life leave can be used for a variety of reasons, such as attending cultural days of significance.

Embedding inclusion and diversity

Inclusion and diversity is integral to our culture and how we live our values. Reflecting the diversity of our customers and communities enables us to better understand and serve their needs. Our new inclusion and diversity strategy supports the Bank's commitment to care, equality and respect.

We listen to our people and our customers' experiences and regularly review metrics and decisions to ensure they are fair and equitable. We also partner with community organisations and academic experts to ensure our approach is evidence-based, and we share what we have learned externally to accelerate positive outcomes. Our six employee-led networks play an important role in promoting inclusion and informing solutions for our people and customers.

We stand against gendered harassment and violence in all its forms and are taking steps to make the workplace safe for everyone. Our #IStandForRespect pledge with the Diversity Council Australia reflects the Bank's commitment to proactively address these issues.

We are committed to our diversity in leadership goals. By 2025, we aim to have 47–50% gender equality in Executive Manager and above roles, and for our senior leaders to match the cultural diversity of the Australian population. By December 2026, we aim to achieve 3% Aboriginal and Torres Strait Islander representation in our domestic workforce.

+ Learn more at commbank.com.au/inclusion&diversity

Women in leadership

New goal

47–50% women

in Executive Manager and above roles by 2025

	2021 actual	2020 actual
Executive Manager and above roles	41.7%	41.2%

+ Our key workforce metrics are provided on pages 62–63.

The future of work is family friendly

We are proud to be recognised as one of Australia's first Family Friendly Workplaces. Our people have a diversity of family and caring responsibilities, which is why we provide a range of leave and other workplace support options. It is important that our people are able to perform their work in ways that work for them, their team and their customers.

+ Learn more at commbank.com.au/FFW

Encouraging our people to speak up

The Bank places great importance on fostering a culture where our people feel empowered to speak up.

It is essential that our people and external partners can raise any issue or conduct that concerns them and know that they will be taken seriously. This helps the Bank identify and resolve issues more quickly.

Our SpeakUP Service is available 24/7 via telephone, email or online. This year, we have continued to see a strong uptake in the SpeakUP program with 335 reports raised, an increase from 284 in the 2020 financial year. Of those reports, 123 were whistleblower cases.

Our Group Whistleblower Policy provides clarity on the support and protection available, as well as the manner in which concerns can be raised and will be managed.

+ Learn more at commbank.com.au/policies

Good business practices

The Bank delivers balanced and sustainable outcomes for stakeholders by conducting our business in a responsible way, executing our strategy and driving positive social and environmental outcomes.

Environmental and Social (E&S) Policy

Environmental and social issues are rapidly evolving as science, context and stakeholder perspectives change. This year, we conducted a review of our Group E&S Policy to ensure it addresses the changing risks and opportunities, and continues to deliver value for all our stakeholders. We recognise that we must continue to manage our own impact, and mature our approach to our supply chain and financing. We have clarified and further developed our approach to climate change, human rights and biodiversity, and have introduced new considerations such as animal welfare.

+ For more information on our E&S Policy and associated E&S Framework, see commbank.com.au/policies

Addressing modern slavery risks

Given our position and scale, we have the opportunity to advance human rights. As a financial institution, we are committed to minimising modern slavery risks in our financing and supply chain activities. Accordingly, we seek to understand our impacts and mitigate the risks of modern slavery arising out of our business decisions.

This year, we undertook a data analytics project to systemically flag customer transactions that may denote instances of modern slavery. The project will flag suspect customer transactions and inform future action plans. Its insights have been shared with peers and relevant NGOs for educational purposes.

In March, we published our first Modern Slavery Statement in compliance with the *Modern Slavery Act 2018*.

+ Detailed information is available at commbank.com.au/CRreporting

Managing our supply chain

To help our suppliers navigate their supply chain and cash flow challenges as a result of COVID-19, we put in place immediate payment terms for our Australian Indigenous and small business suppliers. We have now extended immediate payment terms to all suppliers, regardless of size, in the Australian accounts payable process.

We recognise the need to continuously improve how we manage environmental and social risks in our supply chain. We continue to engage actively with suppliers to identify and mitigate modern slavery risks and issues. More than 1,000 employees completed training on modern slavery. We also implemented a human rights and modern slavery contract clause and commenced modern slavery risk assessments with our suppliers at highest risk. This will inform whether improvement plans are required to better address these risks.

Enhancing risk identification in our lending

We consider environmental and social risks in our business lending decisions. All institutional bank loans, as well as large business bank loans, are evaluated through our ESG risk assessment tool.

Our ESG assessment is part of the lending approval process and considers the ESG risk and mitigations each client has in place. We have invested in expanding our ability to perform ESG risk assessments across a greater portion of our business lending portfolio.

The assessment covers nine priority areas: climate and energy, climate physical risk, pollution, biodiversity, water, labour rights and modern slavery, human rights, workplace health and safety, and anti-corruption and governance.

Institutional and business banking staff complete ESG training, which includes priority areas.

+ Refer to pages 22–33 for more information on how we manage our own climate and environmental risks and opportunities.

Global principles and policies

We continue to evolve our approach in line with global best practice and feedback from our stakeholders.

Aligned to society's goals

We are signatories to international programs of action.

UNEP Finance Initiative – Principles for Responsible Banking | Equator Principles | United Nations Global Compact

Our policies and targets

We drive focus and progress on our commitments through our policies. Key policies include:

- Environmental and Social Policy
- Supplier Code of Conduct
- Diversity and Inclusion Policy
- Accessibility and Inclusion Policy
- Workplace Health and Safety Policy

+ **View our policies: commbank.com.au/policies**

Transparently reporting progress

We report our progress in line with key frameworks and standards.

TCFD – Task Force on Climate-related Financial Disclosures | SASB | GRI | UNEP Finance Initiative – Principles for Responsible Banking

+ **View our performance reports: commbank.com.au/CRreporting**

Assessing our performance

We benchmark our progress using leading sustainability indices and surveys.

Member of Dow Jones Sustainability Indices – In collaboration with S&P Global SAM | MSCI | FTSE4Good | CDP – Driving Sustainable Economies | Sustainalytics

Relevant UN Sustainable Development Goals

3 Good health and well-being | 5 Gender equality | 8 Decent work and economic growth | 10 Reduced inequalities | 11 Sustainable cities and communities | 13 Climate action | 17 Partnerships for the goals

Position on political donations and industry associations

The Bank belongs to a number of industry associations. This year, we worked closely with government and industry bodies to support Australia's economic recovery.

Our engagement policy precludes us from making political donations. However, we may pay to attend political events aimed at the business community. This year, we contributed $75,000 to the Australian Labor Party, $75,080 to the Liberal Party of Australia and $11,000 to the National Party of Australia. These payments are disclosed in line with the requirements of Federal and State governments.

Commitment to tax transparency

The Bank is one of Australia's largest tax payers, having paid over $3 billion in Australian corporate income tax this financial year. Our Tax Transparency Code and Tax Policy Principles provide further information on our approach to tax risk management and additional tax disclosures.

+ **More information is available at commbank.com.au/policies**

Managing our strategic risks

Strengthening our risk management approach enables us to better support our customers and adapt our strategy to the challenges and opportunities from a changed operating environment.

Our efforts to establish industry leading financial and non-financial risk management practices has enabled the Bank to better manage our changing risk profile while supporting our customers and the community through a challenging period.

During this time, we have observed structural changes to our operating environment. These interrelated and complex changes require an enterprise-wide response. Our Risk Management Framework provides the mechanisms for the Board and management to consider such matters. The strategic risks and opportunities we are prioritising include:

Ongoing COVID-19 interventions

The emergence and rapid spread of new COVID-19 variants, combined with low community vaccination rates, could lead to extended lockdowns and restrictions. These interventions have the potential to slow Australia's economic recovery and require the Bank to extend relief measures to support customers.

Escalating geopolitical tensions

The world has been experiencing a rise in geopolitical tensions. This has led to actions such as increased trade tariffs, some of which have impacted businesses in Australia. We remain alert to rising geopolitical tensions that could threaten the Australian economy, destabilise supply chains, and disrupt our operations. The Board monitors conditions and maintains provisions and unquestionably strong capital for a range of potential economic scenarios.

Digital adoption across the economy

The need to access online services during COVID-19 has significantly fast-tracked the use of digital channels by customers. Simple and innovative digital services are a key competitive differentiator. We are accelerating our digital strategy to provide customers with one of the best digital experiences globally. This requires safely embracing new technologies and people with differing backgrounds, such as world-class engineers.

Climate action

Momentum has been building rapidly across the globe for organisations to transition to net zero emissions by 2050. Our strategy will continue to embrace this challenge by adapting our processes, products and services.

We are investing to ensure we can assess and manage the risks to the Bank from climate change with greater sophistication. We also seek to harness the significant existing and emerging opportunities to support our customers in reducing their emissions.

Culture in a hybrid-working model

COVID-19 has accelerated the adoption of remote and flexible working arrangements. The Bank has embraced a hybrid-working model combining working in the workplace and working at home. We are conscious that new strategies are required to engage our people to continue to drive desired culture improvements; protect employees' physical and psychological wellbeing; develop our peoples' skills; and remain compliant with agreements and laws.

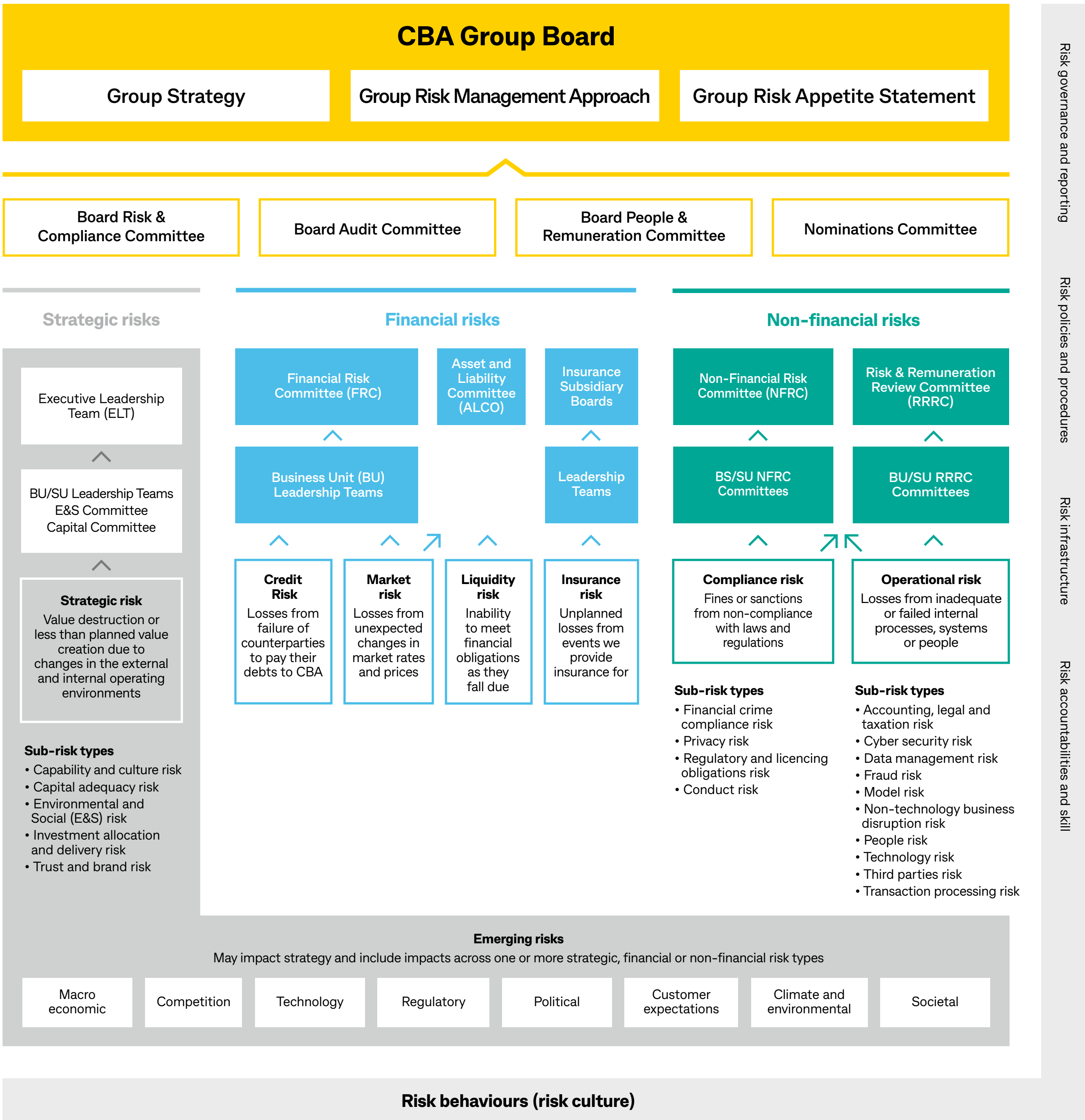
Heightened cyber threat levels

We have observed a notable increase in high profile cyberattacks on companies in Australia and abroad. Cyberattacks on our systems or those managed by suppliers can result in serious disruption to customer banking services, compromise customer data privacy and cause financial system instability. The Bank continues to invest heavily to protect our systems, minimise disruption and keep our customers' data safe.

Our risk framework

The diagram below outlines the Risk Management Framework – including risk governance structures – for managing the Bank's Material Risk types and their sub-risk types. The specific risks we manage within each of these risk types are either existing risks or forward-looking emerging risks that require action now to minimise their impacts in the future.

During the year, the Board formalised five strategic sub-risk types in the Bank risk taxonomy. This reflects that the five strategic sub-risk types drive strategic decisions but are managed through their own dedicated governance, policies and procedures, infrastructure and teams. In addition, the Environmental & Social Committee and the Capital Committee were established to elevate governance over these specific strategic sub-risk types.



For further details on our risk management framework refer to Note 9 on page 204 in the *Financial report*.

Our current risk priorities

Macroeconomic environment

Our business performance is closely linked to the performance of the Australian and New Zealand economies, which, in turn, are impacted by events in the global economy.

During 2020, policies designed to improve health outcomes, and the uncertainty associated with COVID-19, led to Australia's first recession for almost 30 years. Australia's economic recovery was faster and stronger than anticipated through 2021, with the unemployment rate declining, consumer confidence improving and income growth rising, leading to growth in lending volumes. Although there is cause for optimism over the medium-term, the economic recovery has stalled from late June due to the impact of government imposed restrictions on travel and work to manage the spread of COVID-19 in a number of states.

Geopolitical tensions, trade disputes and supply chain issues also continue to create uncertainty for some sectors, which could negatively impact economic conditions.

Key actions we are taking

- The Bank has the backing of a strong balance sheet with strong deposit funding, significant excess liquidity and unquestionably strong capital.
- We regularly discuss the macroeconomic environment with regulators and government. We also undertake stress tests to understand how our business performs, which enables us to prepare alternative action plans for a range of economic scenarios.
- Our loan loss provision coverage remains appropriate and continues to reflect a consistent approach to managing risks as the COVID-19 pandemic continues.
- We remain committed to helping the economy recover by continuing to provide targeted assistance to customers who need it most.
- Our continued focus on operational excellence will ensure we manage our costs, while enabling us to make faster, better-quality decisions that will lead to market-leading customer and business outcomes.

Climate change

The Bank recognises that climate change has far-reaching implications for the environment, our economy, our community and the strategy of the Bank.

More frequent and severe weather events and longer-term shifts in climate patterns could result in the Bank's assets, including those held as collateral, being impaired.

In addition, as local and global investors and regulators increase their focus on climate change, the risk of the Bank's assets in certain industries or those held in investment portfolios, could lose value from being misaligned with the transition to new technologies, regulations or consumer trends.

The nature and volume of new regulations and community expectations also heightens the risk of compliance breaches or litigation risk.

The Bank's reputation could be impacted by continuing to finance certain industries or customers, or by setting financed emission reduction targets and strategies that do not meet community expectations.

Key actions we are taking

- The Bank has established an Executive level Environmental and Social (E&S) Committee, chaired by the CEO, to drive a strategic approach to addressing climate change risks and opportunities.
- We have updated our business lending policies and are directing capital towards transformation of businesses to support the economy's transition to net zero emissions by 2050.
- We continue to reduce our emissions and have achieved Climate Active carbon neutral certification for our Australian operations.
- We are progressively performing climate change scenario analyses on priority portfolios, and are currently engaged in conducting the first APRA industry Climate Vulnerability Assessment to assess the Bank's future exposure to physical and transition climate risks.
- We continue to enhance our approach to measurement and reporting of E&S risk exposures, including expanding our E&S Risk Assessment tool to apply to a greater portion of our business-lending portfolio.
- Our approach to climate governance, strategy, risk management, metrics and targets aligns with the Task Force on Climate-Related Financial Disclosure's recommendations.

For more information on our approach to climate change refer to pages 22–33.

The Board and management are prioritising their efforts on a combination of existing and emerging risks that could materially impact our ability to serve our customers or deliver our strategy.

People and capabilities

Being able to attract and retain the right talent and capabilities is central to achieving our strategy and delivering sustainable long-term performance.

The adoption of new technologies, rapidly changing customer behaviours and increasing regulatory expectations are changing the way we deliver products and services. In addition to deep banking expertise, we require leaders and employees with new and specialist skillsets in areas such as engineering, cybersecurity and analytics.

Attracting and retaining people with these skills can be difficult due to increased demand from local and global competitors.

Emerging risks include non-traditional technology competitors who aim to compete directly in banking; the decline in immigration due to long-term border closures; and the expected exit of skilled employees retiring from the workforce.

Key actions we are taking

- We continue to invest in our value proposition as an employer through:
  - Offering competitive benefits and wellbeing programs, fostering an inclusive and diverse workforce and offering a hybrid-working environment.
  - Enhanced technology, tools and platforms to support team engagement, development and the health and safety of employees in a hybrid-working environment.
  - Leadership initiatives to develop our leaders' capabilities and equip them with the skills and approaches required to lead cultural and behavioural change.
  - Strengthening our culture and remuneration frameworks to ensure employees are clear on expectations and accountabilities, and demonstrate risk behaviours that lead to appropriate outcomes for all stakeholders.
- We have targeted training programs to develop our people, including senior management, and our talent development approach seeks to attract and retain high-calibre people.
- Assessing opportunities to reskill and support our people to be ready for the workforce of the future, and building these into our long-term workforce plan and capability roadmaps.

Trust and reputation

We recognise that trust takes time to build and can be easily eroded through poor decisions; disruption of services; unfair treatment of customers; failure to meet customer and community expectations, or by not complying with our regulatory obligations.

The Bank continues to work hard to respond to the Royal Commission and the APRA Prudential Inquiry findings, particularly through our Remedial Action Plan. This has made us a better bank for our customers and the community, however we know there is still more to do.

We remain alert to heightened risk areas that could undermine the trust placed in us. These risks include cyber criminals disrupting our services or compromising our customers' privacy; increasing expectations of our E&S practices; and the need to identify and support emerging categories of vulnerable customers.

The continued high volume of new and proposed legislation could also result in severe penalties and loss of trust by regulators and the community if business changes are not effectively implemented.

Key actions we are taking

- Through our leadership development initiatives, we continue to drive a risk culture of accountability, empowerment, constructive challenge, reflection and striving for best-practice risk management.
- Our Code of Conduct ensures all staff have a clear understanding of what it means to do the right thing by asking 'Should We?' when making decisions.
- We are updating standards, tools and training for employees to respond effectively to a broader spectrum of vulnerable customers, and are enhancing complaint processes to better identify and prevent key issues impacting our customers.
- We have programs focused on remediating processes and compensating customers for previous unfair treatment.
- Leadership of risk culture and issues impacting the Group's reputation are considerations in the Group Executive's short-term variable remuneration.
- We work with government and regulators to deliver industry-wide improvements and initiatives to support a trustworthy and reliable financial services sector.
- Our SpeakUP Whistleblowing hotline allows current and former employees, contractors, consultants and suppliers to anonymously raise a conduct issue.

Financial crime compliance

Banks have a critical role to play in combatting financial crime. This protects our customers, the community, and the integrity of the financial system. The Bank is required to comply with legislation targeting financial crime activities globally, including: Sanctions, Anti-Money Laundering and Counter Terrorism Financing (AML/CTF), and Anti-Bribery & Corruption (AB&C) legislation.

The failure to prevent, disrupt or detect financial crime can have a significant impact on our customers and the community. It can also result in significant fines and penalties for the Bank.

Financial crime risks have increased over the last year. We continue to see the increasingly sophisticated use of technology by criminals targeting vulnerable people and businesses globally. In addition, the growing volume of financial crime regulation locally and across the globe means that the Bank has much to do to remain compliant and keep protecting the community.

Key actions we are taking

- The Bank, including through its Program of Action continues to address the underlying causes of the *Anti-Money Laundering and Counter-Terrorism Financing Act* (AML/CTF Act) failings that resulted in AUSTRAC commencing enforcement action against the Bank in 2017. Improvements being made focus on:
  - Enhanced financial crime policies and procedures.
  - Investment in new technology, including enhanced transaction monitoring systems and processes, aimed at the detection of financial crime.
  - Establishing mechanisms and processes to improve customer data integrity through core systems.
  - Development and implementation of a Group AB&C Control Framework and tools.
  - Enhanced FCC education and training for all staff aimed at deterring and detecting financial crime.
  - A high level of engagement with the Fintel Alliance.
  - Constructive engagement with AUSTRAC and international regulators.
- Given the links between human trafficking and financial crime we continue to strengthen our supply chain due diligence by embedding new modern slavery requirements into procurement policies, processes and capabilities.
- We also collaborate with not-for-profit organisations that work with the private sector to detect and end modern slavery, including the Mekong Club.

Privacy and data management

The Bank manages a large volume of sensitive data and understands that behind every piece of data is a real person. It is therefore our utmost priority to protect the privacy of all individuals whose personal information we collect and handle.

We seek opportunities to use this data to offer best-in-class digital experiences such as our *Benefits finder* tool, which has connected our customers to approximately half a billion dollars in unclaimed payments. As we consider opportunities to improve our products and services, we are always mindful of the trust our customers have placed in us to use their data in a manner consistent with our obligations and values.

Failure to appropriately use and secure data can result in material consequences for the Bank, such as reputational damage, leading to loss of customers, operational disruption, and financial losses.

The regulatory landscape is also increasingly focused on the privacy, integrity and management of data throughout its lifecycle, which increases the risk of regulatory penalties or intervention.

Key actions we are taking

- The Bank has a privacy strategy to enhance our data privacy processes, capabilities and awareness to ensure compliance in all jurisdictions where we have a presence.
- We have enhanced our data leakage controls and introduced authentication software on end-point devices such as employee laptops.
- Our data management program of work is focused on strengthening our Data Management Framework across the Bank. This involves enhancing our methodology, architecture, tools, standards and procedures across all business areas to ensure the quality and integrity of data throughout its lifecycle.
- We have prioritised the data management practices for the most critical data elements across the Bank.
- Implementing the 'Open Banking' compliance obligations, which apply progressively for different customer, product and data sets across multiple phases from July 2019. We were the first of the major banks in Australia to offer customers the ability to see their accounts from other major banks in one place – the CommBank app.

Cybersecurity

The Bank's information technology systems, including those supplied by external service providers, are increasingly subject to information security risks. Cyberattacks can cause serious disruption to customer banking services or compromise customer data privacy, and have the potential to cause financial system instability.

Information security risks have increased in recent years due to the expanding use of digital channels to conduct financial transactions; the evolution of new technologies; increased sophistication of cyber criminals; and customers' increasing use of personal devices that are beyond our control systems.

Additionally, there has been a global increase in cybercrime during the COVID-19 pandemic, with cyber criminals seeking to gain financially from people's vulnerability. The increase in digitisation and more people working remotely has also elevated the risk.

Key actions we are taking

- The Bank's Cyber Security team is responsible for the oversight and prioritisation of critical cyber-control activities to defend against the evolving threat environment. This includes a focus on enhanced detection and monitoring capabilities, secure configuration and vulnerability management and strengthened authentication methods.
- We are aligning with the Australian Cyber Security Centre (ACSC) Essential Eight Maturity Model, which outlines mitigation strategies that make it harder for adversaries to compromise systems.
- We have a well-established Crisis Management Team. Regular simulation events are run to maintain and improve the Bank's response capability during significant events.
- We are providing greater education to our staff to increase their awareness of the dangers of cybercrime activities such as Phishing, and are enhancing our supplier monitoring processes to better understand and mitigate any weaknesses in their cyber defence capabilities.
- We also collaborate with a range of government, community and industry bodies to provide education and support to strengthen system-level resilience and reduce the possibility of fraud and scams on the community.

Business resilience

The continuity and resilience of our operations are crucial for serving our customers, upholding community trust and maintaining our reputation.

The Bank provides many services to customers through a complex technology infrastructure that requires ongoing maintenance and updates to ensure network, software applications and hardware (including those supplied by external service providers) are resilient. A failure or compromise of this technology infrastructure could result in a material disruption of service to our customers.

The Bank is also exposed to the risk of disruption from events such as natural disasters, pandemics, social unrest and property disruptions.

The risk of potential disruption to parts of our operations remains elevated due to the possibility of COVID-19 clusters impacting employee safety, uncertainty over the stability of global supply chains and their impact on third-party suppliers.

Key actions we are taking

- We routinely monitor the health of all systems and perform contingency planning for disruptions to critical systems and processes.
- A data centre and network modernisation program is improving our technology infrastructure's security and resilience, and our Technology Simplification Program is driving sustained simplification of the technology environment.
- We are driving greater agility and alignment in our supplier partnerships to ensure we effectively mitigate risks across the supply chain. In particular, during the pandemic, we have increased oversight of key suppliers to assess their ability to operate effectively.
- Our supplier governance, selection and monitoring mechanisms enable management to identify and manage the risk of third-party disruptions.
- Our employees' welfare is paramount. To manage COVID-19 risks we have embedded a range of measures for remote workers to maximise their safety and productivity.

Financial performance

Our financial results for the 2021 financial year reflect the strength of our business and the disciplined execution of our strategy.[1]

Net profit after tax

$8,843m
Statutory NPAT
▲ 20% on FY20

$8,653m
Cash NPAT
▲ 20% on FY20

Net profit after tax (NPAT) increased due to improved economic conditions and outlook resulting in a lower loan impairment expense and a strong operational performance.

Dividend

$3.50
Per share, fully franked
▲ 17% on FY20

The full year dividend was supported by the Bank's strong capital position. The final dividend was $2.00 per share, fully franked. The interim dividend was $1.50 per share, fully franked.

Volume growth in core business[2]

Business lending
+$11bn >3x system

Home lending
+$31bn 1.2x system

Household deposits
+$31bn 1.2x system

Net interest margin

2.03%
▼ 4bpts on FY20

Group NIM declined due to the ongoing impact of a low interest rate environment, including a large increase in low margin cash and liquid assets, partly offset by lower wholesale funding costs.

Common Equity Tier 1 capital ratio

13.1%
APRA (Level 2)[3]
▲ 150bpts on FY20

Above APRA's 'unquestionably strong' benchmark of 10.5%. CET1 capital ratio of 19.4% on an internationally comparable basis.

Loan impairment expense and provisions

$554m
▼ 78% on FY20

1.63%
Provision coverage ratio[4]

Loan impairment expense decreased reflecting an improvement in economic conditions and outlook. We have maintained a strong provision coverage ratio of 1.63%, reflecting the economic uncertainty from the continuing impact of COVID-19.

1 All information in this section is presented on a continuing operations basis, unless stated otherwise. Comparative information has been restated. For further details refer to Note 1.1 in the *Financial report* on pages 122–123.
2 As reported in RBA Lending and Credit Aggregates (Home Lending and Business Lending) and APRA Monthly ADI Statistics (Household Deposits). CBA Business Lending multiple estimate is based on Business Banking growth rate (excluding Institutional Banking and Markets) over published APRA Total Business Lending Data (excluding estimated Institutional Lending balances).
3 Includes discontinued operations.
4 Total provisions as a percentage of credit risk weighted assets.

Group financial performance

Our banking businesses continued to perform well, with a disciplined focus on operational excellence delivering above market growth in home lending, business lending and deposits. Strong volume growth supported operating income and helped to offset the impact of historically low interest rates on our net interest margin.

Group profit

Cash NPAT

$8,653m

FY20 $7,225m

Statutory NPAT

$8,843m

FY20 $7,388m

Cash NPAT was 20% higher due to an improvement in economic conditions and outlook resulting in a lower loan impairment expense and a strong contribution from operational performance.

Cash NPAT is management's preferred measure of the Group's financial performance. It excludes non-cash items that are non-recurring in nature and not considered representative of the Group's ongoing financial performance.

Statutory NPAT includes non-cash items.

+ For details and a reconciliation between statutory and cash NPAT, refer to page 79 in the *Directors' report*.

	FY21	FY20	change
Net interest income	18,839	18,610	▲ 1%
Other operating income	5,317	5,151	▲ 3%
Total operating income	**24,156**	23,761	▲ 2%
Operating expenses	(11,359)	(10,996)	▲ 3%
Loan impairment expense	(554)	(2,518)	▼ 78%
Net profit before tax	**12,243**	10,247	▲ 19%
Tax expense	(3,590)	(3,022)	▲ 19%
Net profit after tax – cash basis	**8,653**	7,225	▲ 20%

Operating income

Operating income

Cash basis

$24,156m

FY20 $23,761m

Net interest margin

2.03%

FY20 2.07%

Net interest income increased 1%. This was driven by strong volume growth in home and business lending, and household deposits, partly offset by a decrease in net interest margin.

Net interest margin (NIM) is an important measure of our financial performance. It represents the return on our interest earning assets (e.g. home loans) after accounting for the costs of funding these assets (e.g. deposits).

NIM was down 4 basis points due to the ongoing impact of a low interest rate environment, including a large increase in low margin cash and liquid assets, partly offset by lower wholesale funding costs.

Other operating income increased 3%. The key drivers were:

- Higher retail and business lending fee income due to volume growth.
- Higher equities trading fee income from increased CommSec trading volumes.
- Higher net profits from minority investments.

These increases were partly offset by:

- Continuing lower credit card, retail foreign exchange, and deposits income from a decline in spend and transaction volumes as a result of COVID-19.

+ For more details on operating income refer to Note 2.1, 2.2 and 2.3 on pages 124–132 in the *Financial report*.

	FY21	FY20	change
Net interest income	18,839	18,610	▲ 1%
Other banking income	5,007	4,837	▲ 4%
Funds management income	165	173	▼ 5%
Insurance income	145	141	▲ 3%
Total operating income – cash basis	**24,156**	23,761	▲ 2%

Operating expenses

Operating expenses

Cash basis

$11,359m

FY20 $10,996m

Full-time equivalent staff

44,375

FY20 41,778

Cost-to-income ratio

Cash basis

47.0%

FY20 46.3%

Excluding remediation costs, operating expenses were 2% higher.

Staff expenses increased 4% as a result of wage inflation and an increase in full-time equivalent staff to deliver our strategic priorities, partly offset by ongoing business simplification initiatives.

The staff increases were due to:

- Continued investment in digital capabilities, innovation and risk and compliance initiatives.
- Increased resourcing in financial assistance in response to COVID-19.
- Additional resources to support higher home and business lending volumes, as well as additional frontline retail lenders and business bankers.

Occupancy and equipment expenses increased 6% due to concurrent rent expenses from vacating commercial office space and consolidating our property footprint, and inflation-linked annual rental reviews.

Information technology expenses increased 1% due to higher IT infrastructure costs and cloud computing, as well as higher investment spend, partly offset by lower amortisation and business simplification initiatives.

Other expenses decreased 6% primarily driven by business simplification initiatives and lower credit card loyalty redemptions.

Remediation costs include additional provisions for future payments to customers and associated remediation program costs primarily in relation to historical Wealth management related issues.

+ For more details on operating expenses refer to Note 2.4 on pages 133–134 in the *Financial report*.

+ For more details on remediation provisions refer to Note 7.1 on pages 186–189 in the *Financial report*.

	FY21	FY20	change
Staff costs	5,985	5,731	▲ 4%
Occupancy and equipment	1,154	1,087	▲ 6%
Information technology	2,046	2,020	▲ 1%
Other expenses	1,599	1,697	▼ 6%
Operating expenses excluding remediation costs and other – cash basis	10,784	10,535	▲ 2%
Remediation costs and other	575	461	▲ 25%
Total operating expenses – cash basis	11,359	10,996	▲ 3%

Tax expense

Tax expense

Cash basis

$3,590m

FY20 $3,022m

Income tax expense for the year increased 19% mainly due to higher profits. The effective tax rate for the year was 29.3%. This is below the Australian company tax rate of 30% primarily as a result of profits earned by the offshore jurisdictions that have lower corporate tax rates.

+ For more details on tax expense refer to Note 2.5 on pages 135–137 in the *Financial report*.

Provisions and credit quality

Loan impairment expense

Loan impairment expense

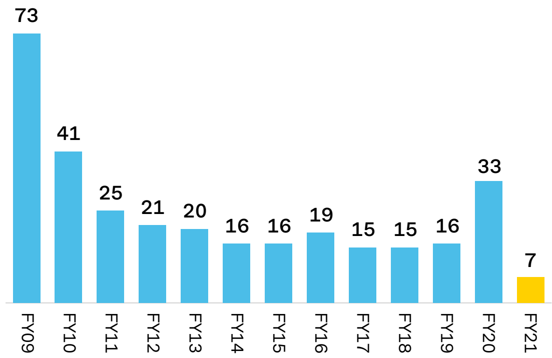
$554m

FY20 $2,518m

Loan impairment expense reflects changes in our estimates of expected loan losses, as well as bad debts incurred during the year net of any recoveries. The loan loss rate measures loan impairment expense as a percentage of average gross loans and acceptances.

Loan impairment expense decreased as a result of an improvement in economic conditions and outlook. The loan loss rate reduced to 7 basis points, down from 33 basis points in FY20.

Loan loss rate (bpts) [1]



1 FY09 includes Bankwest on a pro forma basis.

Portfolio credit quality

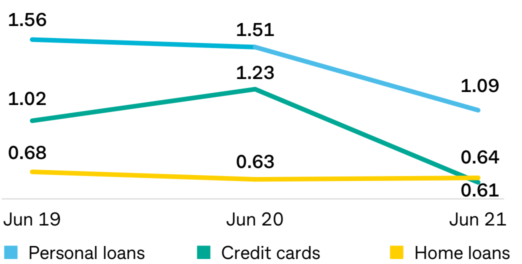
Consumer arrears show the proportion of our consumer credit portfolio where customers have fallen behind on their contractual loan repayments. Arrears on home loans and consumer finance remain low. The small increase in home loan arrears was primarily due to the completion of the original COVID-19 deferral program in March 2021.

Credit card and personal loan arrears reduced due to improved economic conditions and benefit of customers reducing balances during the year.

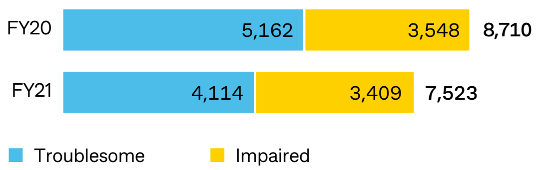
Troublesome and impaired assets include loans where customers are experiencing financial difficulties that could result in credit losses for the Group, loans to customers not meeting their repayment obligations such as loans in default and loans restructured on non-commercial terms.

The decrease in troublesome and impaired assets to $7,523 million from $8,710 million in FY20 was driven by improvements in the credit quality of the corporate portfolio.

Consumer arrears >90 days (%)



Troublesome and impaired assets ($m)



Loan impairment provisions

Our total impairment provisions decreased to $6,211 million from $6,363 million in FY20 reflecting the improved economic conditions and outlook. Provisioning coverage remains strong with the provision coverage ratio at 1.63%, reflecting a consistent approach due to the continuing impacts of COVID-19 on our customers and the economy.

Total impairment provisions ($m)

1 Ratio of total provisions to credit risk weighted assets.

Balance sheet strength

Balance sheet strength is critical to our ability to serve our customers, drive core business outcomes and deliver strong and sustainable returns for our shareholders. Our capital, liquidity and funding metrics remained strong during FY21. The strength of our balance sheet means the Bank is well positioned to continue supporting our customers and helping the broader community and the Australian economy recover.

Capital

Common Equity Tier 1 capital ratio

13.1%

APRA (Level 2)

FY20 11.6%

The Group has a strong capital position with a Common Equity Tier 1 (CET1) capital ratio as at 30 June 2021 of 13.1%, well above APRA's 'unquestionably strong' benchmark of 10.5%.

During the year, the Group's CET1 capital was supported by:

- Profits generated in the ordinary course of business (organic capital) as business fundamentals remained strong.
- The benefits of proceeds received from the sales of BoCommLife, CommInsure Life, and other previously announced divestments.

The strong capital position and our progress on executing our strategy means that we are well placed to continue to support our customers and manage ongoing uncertainties and commence returning a portion of surplus capital to shareholders.

Additional outstanding divestments are expected to provide further capital uplifts in FY22.

The Bank is an Authorised Deposit-taking Institution (ADI) regulated by APRA. To ensure banks hold sufficient capital to protect deposit holders against unexpected losses, APRA sets minimum capital requirements for ADIs based on the Basel Committee on Banking Supervision guidelines. These requirements influence the Bank's ability to pay dividends.

+ **For more details on divestments refer to Note 11.3 on pages 262–264 in the *Financial report*.**

Funding and liquidity

Deposit funding ratio

73%

FY20 74%

Liquidity coverage ratio

129%

FY20 155%

Net stable funding ratio

129%

FY20 120%

The **deposit funding ratio** represents the proportion of total funding made up of customer deposits. Customer deposits are considered the most stable source of funding. The strength of our banking business has allowed us to maintain the highest share of stable household deposits in Australia. Ensuring we are well funded has been critical to our ability to continue supporting our customers and helping the Australian economy recover.

The Group continued to satisfy a significant portion of its funding requirements from customer deposits, accounting for 73% of total funding, with customers continuing to increase their savings.

As at 30 June 2021, the Group had accessed $51.1 billion of funding provided through the RBA's three-year Term Funding Facility.

The Term Funding Facility was introduced by the RBA to stimulate business lending as part of the COVID-19 economic support package.

The **liquidity coverage ratio (LCR)** represents the level of high quality liquid assets available to meet short-term obligations in a liquidity stress scenario. The Group's average LCR for the quarter ended 30 June 2021 was 129% which was significantly above the minimum regulatory requirement of 100%.

The **net stable funding ratio (NSFR)** shows to what extent our long-term assets are covered by stable sources of funding. The Group's NSFR as at 30 June 2021 was 129%, well above the regulatory minimum of 100%. The increase in the ratio was due to the growth in customer deposits, the benefit of the Term Funding Facility and our strong capital position.

Delivering for shareholders

Our aim is to deliver sector leading returns and a sustainable dividend. We achieve this by focusing on operating performance and capital generation. Many Australians rely on the dividends they receive to support their income, which is why it's important for us to deliver shareholder returns at strong and sustainable levels.

870,000+
shareholders hold CBA shares directly, millions more hold CBA shares through their superannuation

78%
Australian ownership

51%
direct ownership by retail shareholders

$6.2bn
returned to shareholders as dividends in relation to FY21

$2,818
dividend amount received by the average retail shareholder

Dividends

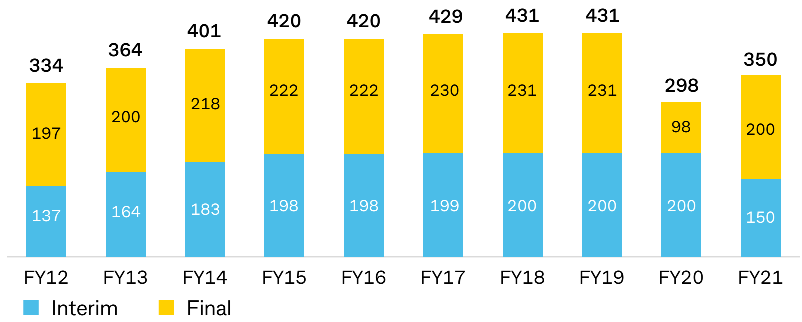
The final dividend of $2.00 per share reflects the Bank's strong capital position. Our aim is to deliver sector leading returns and a sustainable dividend. To deliver sustainable dividends we seek to:

- pay cash dividends at strong and sustainable levels;
- target a full year payout ratio of 70–80% of cash NPAT; and
- focus on maximising returns to shareholders by paying fully franked dividends.

The final dividend payout ratio was 71% of the Bank's cash earnings for the full financial year. Including the interim dividend of $1.50 per share, the full year dividend was $3.50 per share, fully franked.

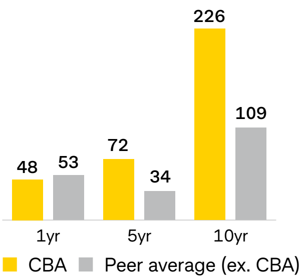
The Dividend Reinvestment Plan (DRP) continues to be offered to shareholders. No discount will be applied to shares allocated under the plan for the final dividend. The DRP is anticipated to be satisfied in full by an on-market purchase of shares.

Dividend per share (cents)



Total shareholder return (TSR)

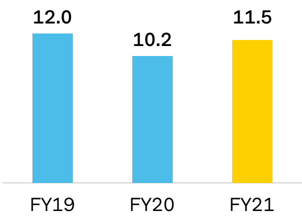
(%)



TSR combines both share price appreciation and dividends paid. It shows the total return to shareholders over time.

Return on equity (ROE)

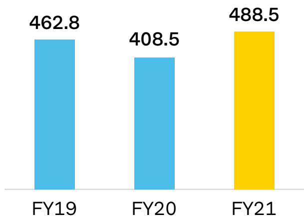
Cash, continuing operations (%)



ROE measures the Bank's profitability. It represents the net profit generated as a percentage of the equity shareholders have invested.

Earnings per share (EPS)

Cash, continuing operations (cents)



EPS measures the Bank's earnings growth. It is calculated by dividing net profit after tax by the number of shares on issue.

Business unit performance

Retail Banking Services

Cash NPAT

$4,806m

FY20 $4,142m

Contribution to Group profit

56%

Net interest margin

2.60%

FY20 2.63%

Brands

Commonwealth Bank

bankwest

Retail Banking Services (RBS) [1] provides simple, convenient and affordable banking and general insurance products and services to personal and private bank customers, helping them manage their everyday banking needs, buy a home, protect their assets or invest for the future. RBS also includes the retail banking activities conducted under the Bankwest brand.

Financial performance

Cash net profit after tax was $4,806 million, an increase of $664 million or 16% on FY20. The result was driven by above system home lending growth and lower loan impairment charges reflecting an improvement in economic conditions and outlook. Income from credit cards and international transactions declined as spend volumes were lower due to COVID-19. Costs were flat compared to FY20, driven by benefits from branch and workforce optimisation that were partly offset by increased home loan processing costs to support elevated volumes, increased financial assistance to support loan deferrals, and higher investment spend.

Operating performance

RBS continued to focus on operational excellence, in particular to support strong home loan volumes in a highly competitive market. A record number of home loan applications and pre-approvals were processed, with $141 billion of new home loans funded. This comprised of home loans to over 49,000 first home buyers, including those using the Government's First Home Loan Deposit Scheme. RBS also saw strong growth in household deposits, with transaction account balances growing by 25% and more than 900,000 new transaction accounts opened by customers.

Over the past year, a key focus for the Bank has been supporting our customers as loan deferral programs and income support measures come to an end. The Bank's temporary loan repayment program played a key role in enabling customers to manage pandemic-related financial challenges. Pleasingly, the majority of the Bank's customers have returned to making their pre-deferral repayments on their loans. RBS will continue to support our customers that require ongoing assistance.

Personal loan and credit card activity increased in the second half of the year driven by higher domestic card spend and product innovation (Neo card, Advance Pay) in the consumer finance portfolio.

Digitisation and process improvement further evolved to support our core businesses. RBS also continues to scale the Customer Engagement Engine enabling the Bank to make 13 billion insights each year to meet customer needs.

1 On 21 June 2021, the Group entered into an agreement to sell its Australian general insurance business to Hollard Insurance Company Pty Ltd, which is expected to complete in mid-calendar year 2022.

Business Banking

Cash NPAT

$2,758m

FY20 $2,474m

Contribution to Group profit

32%

Net interest margin

2.98%

FY20 3.10%

Brands

Commonwealth Bank

CommSec

bankwest

Business Banking (BB) serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions. BB also provides Australia's leading equities trading and margin lending services through our CommSec business. BB includes the financial results of business banking activities conducted under the Bankwest brand.

Financial performance

Cash net profit after tax was $2,758 million, an increase of $284 million or 11% on FY20. The result was driven by higher business lending and deposits volumes, higher trading volumes through CommSec, and lower loan impairment expense. Income from the increase in volumes was offset by lower business lending and deposits margins due to a low interest rate environment. Costs increased reflecting investment in dedicated business bankers and technology to improve customer experience. Loan impairment expense decreased due to lower collective provision charges as a result of improved economic outlook.

Operating performance

BB's focus remains on building Australia's leading business bank, by continuing to support business customers recover and grow from the disruption of the pandemic. Simplifying how we do things, improving customers' banking experiences and tailoring solutions to better meet their needs has also been a key focus.

BB delivered strong volume growth across core business banking products and continued to support businesses impacted by the pandemic with loan growth of $11.1 billion across key sectors including property, agriculture and health. The business bank also funded 12,600 additional loans to Australian businesses through the Government's SME Guarantee Scheme.

Delivering on our commitment to do better for small businesses, 200 new dedicated business bankers and Business Banking Managers were added in key branches. BB also expanded the capabilities of our 24/7 Australia-based contact centres and worked to improve the end-to-end customer experience through investment in technology, digital assets and analytics.

Simplified lending processes and high quality fast decision making lead to increased lending to business customers. Significant improvements were made to BizExpress, our digital lending facility, which can now provide businesses with a loan in under 12 minutes.

Institutional Banking and Markets

Cash NPAT

$922m

FY20 $633m

Contribution to Group profit

11%

Net interest margin

1.00%

FY20 0.98%

Brands

Commonwealth Bank

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

Financial performance

Cash net profit after tax was $922 million, an increase of $289 million or 46% on FY20. Higher income from commodities financing and institutional lending commitment and line fees were partly offset by lower margins on deposits due to a low interest rate environment. Costs decreased driven by productivity initiatives and lower business travel expenses due to COVID-19 restrictions, partly offset by higher investment spend.

Operating performance

While lending volumes are historically low, and are significantly lower than pre-COVID levels, new institutional lending remains stable. The institutional lending business has continued to improve its capital efficiency and has delivered similar levels of revenue without added risk.

Deposit balances remain high, driven by the increase in liquidity in response to economic impacts from the pandemic. Although deposit balance growth has provided additional funding, the low interest rate environment has reduced earnings on deposits, and earnings on free equity held by Treasury.

Global Markets has been well positioned to provide ongoing support for both corporate and government bond issuances. As a result, CBA is now ranked #1 in the Combined League table, a ranking of all banks on debt markets, securitisation and syndicated loans.

IB&M continued to build its capabilities to offer insights and customer solutions with the creation of Commbank iQ, a joint venture between the Bank and Quantium. This unique partnership enables businesses and institutions to use Australia's largest aggregated anonymised data set to analyse trends, overcome challenges, and create better, more targeted products and services for Australians.

New Zealand

Cash NPAT

$1,159m

FY20 $809m

Contribution to Group profit

13%

Net interest margin[1]

2.18%

FY20 2.12%

Brands

ASB

New Zealand includes the banking and funds management businesses operating in New Zealand under the ASB brand. ASB provides a range of banking, wealth and insurance products and services to its personal, business, rural and corporate customers in New Zealand.

Financial performance

Cash net profit after tax was $1,159 million, an increase of $350 million or 43% on FY20. Income from growth in lending and deposit volumes along with an increase in net interest margin was partly offset by a decrease in insurance commissions income. Costs increased due to investment in risk and compliance and customer experience initiatives. Loan impairment expense decreased due to an improvement in economic outlook.

Operating performance

ASB continued to deliver strong balanced growth in core lending markets. Home lending grew by 12% for the year and supported nearly 15,000 first home buyers. Business lending also increased by 9%, while the market contracted for the 12 months to 30 June 2021.

ASB continued to advance its digital strategy, delivering more tools to help customers save time and reach their financial goals faster. This included the ASB ID app which allows customers to verify their identity without needing to visit a branch.

Through the Reserve Bank of New Zealand's Funding for Lending Programme, ASB launched Back my Build to help customers build a new home and help address New Zealand's housing supply challenges. The product offers a low variable rate and cash back contributions to encourage green and sustainable builds or first home buyers. ASB has also committed to providing low-cost funding for businesses investing in sustainability and infrastructure projects to reduce their environmental impact.

ASB supported 100 small businesses through the Borrow the All Blacks campaign, a sponsorship programme with New Zealand Rugby. ASB's Business Hub was also launched to provide resources and tools to help jumpstart businesses.

ASB continues to play its role in supporting New Zealanders through COVID-19 recovery, supporting customers with lending relief and a freeze on forced sales for owner-occupied family homes.

1 Net interest margin is ASB Bank only and is calculated in New Zealand dollars.

Sustainability performance

To provide transparency for all our stakeholders, we set targets, measure and report on a range of customer, environmental, social and governance metrics.

Women in leadership

in Executive Manager and above roles by 2025

41.7% FY21

Target
47–50% by 2025

Low carbon funding

$6.4bn FY21

Target
$15bn by 2025

Australian Indigenous supplier spend

$6.1m FY21

▲ **39%** on FY20

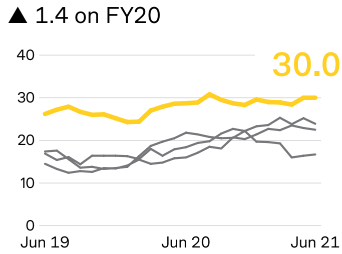
Target
3% of total domestic contestable spend by 2024

Mobile banking app NPS

Target: #1

We continue to extend our digital leadership and have maintained our #1 position.

Key CBA — Peers

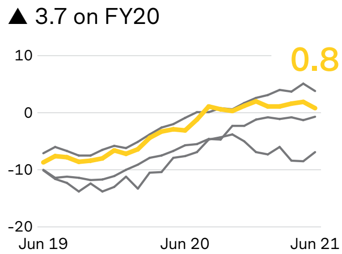


Consumer NPS

Target: #1

By focusing on delivering better outcomes for our customers, we have seen an almost four point improvement, and are reporting a positive NPS.

Key CBA — Peers

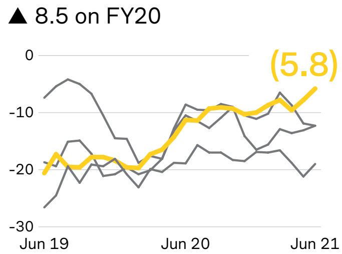


Business NPS

Target: #1

We are now ranked #1 in business NPS.

Key CBA — Peers



All metrics capture the data of the wholly owned and operated entities of the Group, associates and joint ventures unless otherwise stated. A more complete set of metrics is available for download by visiting commbank.com.au/CRreporting. For definitions, see *Glossary* on pages 293–308.

Customer metrics

We aim to deliver the best products, service and outcomes for our customers to ensure we are meeting their needs and supporting their financial wellbeing. We believe Net Promoter Score (NPS) is a good overall measure of our customers' experience with us, as it subtracts our detractors from our promoters. We do not always get things right so we also measure how many complaints our Group Customer Relations team resolves. This year, we have been focused on enhancing complaint handling and prevention reporting.

Customer advocacy[1]	#	30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Commonwealth Bank – Net Promoter Score						
Consumer NPS		**0.8**	(2.9)	(10.0)	(2.7)	(0.3)
– Rank		**2nd**	2nd	3rd	2nd	3rd
Business NPS		**(5.8)**	(14.3)	(22.4)	(19.6)	(13.1)
– Rank		**1st**	3rd	3rd	4th	1st
Online banking NPS[2]		**19.0**	17.2	12.6	–	–
– Rank		**1st**	1st	2nd	–	–
Mobile banking app NPS[2]		**30.0**	28.6	24.5	–	–
– Rank		**1st**	1st	1st	–	–
Bankwest – Net Promoter Score[3]						
Consumer NPS		**11.8**	9.4	0.0	12.2	–
– Rank		**4th**	3rd	5th	4th	–
Business NPS		**23.8**	12.1	6.6	9.5	–
– Rank		**2nd**	3rd	3rd	3rd	–
ASB – Net Promoter Score						
Retail banking NPS[4]		**32.5**	32.0	–	–	–
– Rank		**3rd**	3rd	–	–	–
Business and rural banking NPS		**4.0**	4.2	3.7	9.2	9.9
– Rank		**1st**	1st	1st	1st	1st

Customer complaints[5]	#	30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18
Resolved		**52,186**	45,324	40,588	33,530
Escalated to an external dispute resolution (EDR) scheme		**4,758**	5,480	4,695	–
– Privacy complaints		**10**	22	22	22

1 Customer advocacy metrics have not been assured by PwC as they are sourced from independent third-party providers.
2 NPS methodology and service provider changed to DBM Atlas in 2020. FY20 and FY19 numbers have been restated. Numbers prior to FY19 are not available.
3 NPS definition changed in 2020. FY20, FY19 and FY18 numbers have been restated. FY17 numbers are not available.
4 NPS methodology changed in 2019. Numbers prior to FY20 are not comparable.
5 The Office of the Customer Advocate's operating model changed on 30 November 2020 in response to new regulatory guidance on dispute resolution (ASIC RG271). Customers remain able to escalate to Australian Financial Complaints Authority (AFCA) if they are unhappy with the outcome of their complaint. However, customers are no longer offered the option of having their complaint reviewed by the Advocate.

Limited assurance report

PwC has provided limited assurance on these metrics pages 58–64, for the year ended 30 June 2021, unless otherwise indicated.

+ **The PwC Limited Assurance Report is provided on pages 65–66.**

Environmental metrics

We manage our operations to ensure we minimise our carbon footprint, use resources efficiently and minimise costs associated with those resources. We report the Scope 1 and 2 (direct) and Scope 3 (indirect) carbon emissions for our operations in Australia, New Zealand and other overseas locations. We are committed to supporting the transition to net zero emissions by 2050 and report our progress against our target to fund low carbon projects. We have replaced our Low Carbon Funding Target with a broader Sustainability Funding Target of $70 billion in cumulative finance by 2030.

Low carbon transition		30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Low carbon funding[1]	$m	**6,367**	5,374	5,134	4,575	–
– Renewable energy exposure[1]	$m	**4,790**	4,225	3,644	3,716	2,800
ESG bond arrangement[2]	$m	**6,922**	9,016	2,172	2,015	1,018

Greenhouse gas emissions[3]	tCO_2-e	30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Group[4]						
Scope 1 emissions[5]		**8,768**	12,526	7,624	8,739	9,694
Scope 2 emissions		**95,514**	103,528	78,756	87,278	96,595
Scope 3 emissions[6]		**47,579**	57,454	99,580	85,754	91,150
Total		**151,861**	173,508	185,960	181,771	197,439
Scope 1 and 2 per FTE[7]		**1.5**	1.8	1.9	2.1	2.3

	tCO_2-e	30 Jun 21	30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Australia[4]		**Market-based[8]**	**Location-based**				
Scope 1 emissions[5]		**6,095**	**6,095**	9,992	6,983	7,257	7,411
Scope 2 emissions		**-**	**87,035**	96,262	71,128	76,866	83,723
Scope 3 emissions[6]		**32,228**	**43,189**	53,644	88,282	72,430	77,553
Total		**38,323**	**136,319**	159,898	166,393	156,553	168,687
Scope 1 and 2 per FTE[7]			**1.6**	1.9	2.1	2.3	2.6

	tCO_2-e	30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
New Zealand						
Scope 1 emissions		**2,189**	2,046	82	733	1,348
Scope 2 emissions		**1,564**	1,614	1,938	2,462	2,661
Scope 3 emissions		**959**	1,266	4,259	5,834	3,813
Total		**4,712**	4,926	6,279	9,029	7,822
Other overseas						
Scope 1 emissions		**484**	488	559	750	935
Scope 2 emissions		**6,915**	5,652	5,690	7,949	10,211
Scope 3 emissions		**3,431**	2,544	7,039	7,490	9,784
Total		**10,830**	8,684	13,288	16,189	20,930

1 Numbers prior to FY20 have not been assured.
2 Assured for the first time in FY21. Definition was refined. Numbers prior to FY21 have been restated.
3 CFS is included in emissions reporting despite being a discontinued operation. This is to align with National Greenhouse and Energy Reporting (NGER) for FY21.
4 From FY20 onwards, CBA assumed operational control of two data centres. Emissions from these locations have been reclassified from scope 3 to scope 1 or 2 emissions, depending on source.
5 From FY20 onwards, scope 1 includes refrigerant emissions. FY20 scope 1 total emissions restated to reflect restated natural gas data.
6 From FY20 onwards, scope 3 includes additional emissions from waste, water, work from home and couriers. From FY19 onwards, scope 3 include emissions from base buildings and paper use.
7 From FY20 onwards, the emissions intensity calculations exclude reclassified scope 2 emissions from the two data centres now under operational control and additional scope 1 refrigerant emissions.
8 Reported for the first time in FY21. Emissions based on greenhouse gas emissions emitted by the generators from which CBA has contractually purchased electricity bundled with Large Generation Certificates (LGCs).

Energy – Australia[1]	gigajoules	30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Fuels – natural gas, diesel and transport[2]		**75,572**	112,968	112,675	112,671	129,671
Purchased electricity – property portfolio		**251,141**	281,356	313,065	339,270	365,617
Purchased electricity – data centres		**141,440**	157,578	168,620	173,281	189,456
Electricity generated from on-site solar panels		**7,219**	6,106	4,059	2,775	1,355
Total energy consumption (including electricity and fuel)		**475,372**	558,008	598,419	627,997	686,099
Renewable electricity sources						
– Renewable energy via power purchase agreement or retail contracts[1]		**392,581**	438,934	156,548	–	–
– Electricity generated from on-site solar panels		**7,219**	6,106	4,059	2,775	1,355
Renewable electricity consumption		**399,800**	445,040	160,607	2,775	1,355
Renewable electricity	%	**100**	100	33	1	0
Non-renewable energy consumption		**75,572**	112,968	437,812	625,222	684,744
Renewable energy	%	**84**	80	27	0	0

Water, waste and paper – Australia		30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Waste (commercial operations)[3]	tonnes					
Landfill		**470**	988	1,167	1,088	680
Recycled		**308**	585	835	804	590
Secure[4]		**414**	580	896	999	1,055
Total waste		**1,192**	2,153	2,898	2,891	2,325
Water[5]	kilolitres	**129,494**	177,047	216,102	172,134	171,477
Office paper usage (A3 and A4)	tonnes	**343**	483	570	629	750

1 Presentation for FY21 has been expanded to demonstrate our progress towards 100% renewable electricity consumption. Prior year presentation not comparable.
2 FY20 restated to reflect updated natural gas data.
3 FY20 waste data not assured by PwC.
4 Secured paper waste is shredded and then recycled.
5 From FY18 onwards, water data includes all commercial buildings and two CBA data centres.

Social – our people metrics

We want our employees to come to work inspired to live our purpose. Having an engaged, well-trained and accountable workforce is essential to the delivery of the Bank's strategy and delivers tangible benefits for our customers, shareholders and the communities we operate in. Our hybrid working model allows our people to balance their goals and commitments so they can pursue our purpose with care, courage and commitment. Inclusion and diversity is an integral part of the Bank's culture, values and the way we do business.

Employees[1]		30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Total full-time equivalent (FTE)	#	**46,189**	43,585	45,165	45,753	45,614
– Australia		**37,570**	36,330	37,137	36,446	35,701
– New Zealand		**5,634**	5,122	5,038	5,538	5,409
– Other		**2,985**	2,133	2,990	3,769	4,504
Graduates		**191**	153	183	188	149
Headcount	#	**50,278**	48,167	50,482	51,371	51,779
Employee turnover – voluntary	%	**11.0**	10.1	11.3	11.8	10.1
Employee turnover – involuntary[2]	%	**1.9**	4.2	4.0	4.2	–
Employment type (headcount)[3]	#					
Full-time		**31,112**	32,178	33,125	–	–
Part-time		**7,007**	7,565	7,900	–	–
Casual		**294**	399	438	–	–
Safety and wellbeing						
Lost Time Injury Frequency Rate[4]	rate	**0.6**	1.1	1.6	1.5	1.8
Absenteeism	days	**7.5**	7.8	7.2	6.0	5.9
Health, safety and wellbeing training[5]	#	**51,926**	49,385	49,977	–	–

Employee engagement and flexible working[6]	%	Mar 21	Sep 20	Apr 20	Oct 19	Apr 19	Apr 18	Apr 17
Employee engagement index – CBA[7]		**78**	80	81	72	68	72	78
Employees working flexibly[8]		**–**	81.1	–	66.0	73.9	73.7	69.4
Employees with caring responsibilities		**–**	54.0	–	47.5	50.7	53.0	–

Parental leave		30 Jun 21	30 Jun 20	30 Jun 19
Employees who have accessed parental leave	#			
– Female employees		**1,284**	1,433	1,479
– Male employees		**1,013**	913	917
Employees who have returned to work and are still employed after 12 months[9]	%			
– Female employees		**87.2**	85.7	–
– Male employees		**87.2**	84.5	–

1 Includes discontinued operations.
2 FY21 decreased due to employee reskilling and redeployment programs.
3 Excludes fixed term contractors, contingent workers and ASB businesses in New Zealand.
4 Prior year numbers have been restated due to claims received after year-end reporting date.
5 The health, safety and wellbeing training number is higher than FTE as the training is assigned annually and to new employees.
6 Bankwest is included from FY21. Numbers prior to FY21 are not comparable. Not all metrics are surveyed during the survey period. Participation and disclosure in the survey is voluntary and can vary from year to year.
7 The engagement index was enhanced in September 2020 from a four-item metric to a five-item metric to include items related to discretionary effort and work involvement and the removal of work satisfaction as a predictor of engagement.
8 Businesses in China are included from FY21.
9 Reported for the first time in FY21. FY20 restated as a percentage and split by male and female. Not assured by PwC.

Employee training	hrs	30 Jun 21 Female	30 Jun 21 Male	30 Jun 21 Total	30 Jun 20 Female	30 Jun 20 Male	30 Jun 20 Total
Per employee							
Executive Managers and above roles		**23.3**	**22.8**	**23.0**	21.3	19.9	20.5
Others		**30.0**	**27.1**	**28.6**	29.1	25.6	27.5
Average per employee		**29.7**	**26.8**	**28.3**	28.8	25.2	27.1

	#	30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
ESG training		**6,240**	1,560	4,043	3,577	2,768

Gender diversity	%	30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Women in workforce		**56.1**	56.9	57.2	57.4	57.8
Women in Manager and above roles		**45.2**	45.0	45.0	44.6	44.4
Women in Executive Manager and above roles		**41.7**	41.2	39.1	37.6	36.7
Women in Senior Leadership (Group Executives)[1]		**27.3**	33.3	30.0	20.0	–

Gender pay equity (female to male base salary)	ratio	31 Mar 21	31 Mar 20	31 Mar 19	31 Mar 18	31 Mar 17
Executive General Manager		**0.86**	0.90	0.95	0.94	0.95
General Manager		**0.99**	1.00	0.97	0.99	1.00
Executive Manager		**0.98**	0.98	1.00	0.98	0.99
Manager/Professional		**0.97**	0.98	0.98	0.98	0.98
Team Member		**1.00**	1.00	1.00	1.00	1.00

Age diversity	%	30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
<25 years		**7.1**	7.9	7.4	7.3	8.1
25–34 years		**30.7**	30.8	31.4	33.2	34.8
35–44 years		**32.5**	31.9	31.8	31.0	29.7
45–54 years		**19.9**	19.6	19.9	19.5	18.9
55–64 years		**8.6**	8.6	8.4	8.0	7.6
65+ years		**1.1**	1.0	0.9	0.8	0.6

Other diversity dimension[2]	%	Sep 20	Oct 19	Apr 19	Apr 18
CBA Indigenous workforce (ancestry)[3]		**0.8**	1.5	0.9	1.0
Employees who identify as having a disability[4]		**6.5**	8.7	10.5	11.9
Employees who identify as LGBTI and gender non-binary[5]		**4.9**	3.3	3.4	3.4

Cultural diversity based on ancestry (Sep 2020)[2]	Cultural Diversity Index #	Australia, NZ, British, Irish %	Europe %	Asia %	Africa, Middle East %	Americas %	Indigenous, Pacific Islanders %
CBA overall	0.75	52.30	12.10	28.57	3.44	1.34	2.25
General Manager and above	0.54	72.68	10.70	9.58	3.38	2.25	1.41
Executive Manager and above	0.62	66.82	14.93	12.06	3.49	1.97	0.73
2016 Australian Census (ancestry)	0.59	69	12	14	4	1	1

1 In FY21 methodology changed to include ASB businesses in New Zealand. FY20 and FY19 have been restated. Prior to FY19, the role of Chief Executive and Managing Director, ASB Bank Ltd, was not considered Key Management Personnel. FY18 and FY17 are not comparable. On 31 May 2021, Priscilla Sims Brown ceased as Group Executive, Marketing and Corporate Affairs. Monique Macleod will be commencing as Group Executive, Marketing and Corporate Affairs mid-September 2021, increasing the percentage to 33.3%.

2 Bankwest is included from FY21. Numbers prior to FY21 are not comparable. Not all metrics are surveyed during the survey period. Participation and disclosure in the survey is voluntary and can vary from year to year.

3 Metric can be volatile due to small sample size. 2016 Australian Census (Aboriginal or Torres Strait Islander) was 2.8%.

4 Businesses in Indonesia are included from FY21. In FY21, the format of the question changed. Employees are no longer asked to disclose their specific disability, chronic illness or other medical condition.

5 In FY21, the metric changed to include employees who identify as gender non-binary.

Social – community metrics

We are committed to improving the wellbeing of the communities in which we live and work. We make a meaningful contribution through community investment and financial education. We also provide support for Indigenous communities and have extended our support for vulnerable customers and those experiencing financial hardship.

		30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Community investment	$m					
Total community investment[1]		**247.4**	250.5	204.3	204.0	180.6
– Cash contributions		**47.3**	57.5	41.6	55.5	37.2
– Time volunteering[2]		**1.2**	0.7	1.1	1.1	1.2
– Forgone revenue[1]		**187.5**	178.5	147.4	134.2	130.5
– Program implementation costs[3]		**11.4**	13.8	14.2	13.2	11.7
Community investment as a percentage of pre-tax profit[4]	%	**2.0**	2.4	1.8	1.6	1.4
Financial literacy programs[5]	#					
School banking students (active)[6]		**75,773**	174,997	244,636	299,074	321,389
Start Smart students (booked)[7]		**291,548**	377,214	427,527	568,649	574,246
Indigenous community support						
Indigenous Customer Assistance Line (calls received)	#	**181,460**	206,436	202,444	180,225	168,218
Australian Indigenous supplier spend – first tier[8]	$'000	**6,093**	4,395	2,959	–	–

1 In FY21, the methodology for forgone revenue changed to exclude Youthsaver and a number of products no longer available. Historical numbers have been restated.
2 In FY21, the methodology for calculating the employee hourly rate changed. Historical numbers have not been restated.
3 FY20 restated for consistency with programs included in FY21.
4 Cash net profit from continuing operations before tax. Comparative information for FY20 and FY19 has been restated. For further details, refer to Note 1.1 in the Financial report on pages 122-123.
5 FY21 metrics impacted by COVID-19.
6 In November 2020, the State Government of Victoria announced it would no longer allow financial institutions to deliver school banking programs in Victorian government schools. Change effective from Term 1 (January 2021).
7 Start Smart program for vocational students ceased in FY19.
8 FY21 spend increased due to embedding an Indigenous stationery supplier and the purchase of carbon credits.

Governance metrics

Strong governance is key to the Bank's ability to deliver on our purpose and strategy. Having independent and diverse Non-Executive Directors provides adequate oversight and supports sound decision-making by our Board. It is also important that our people know what is expected of them and that they are confident to speak up about any issues or concerns.

		30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Board composition[1]	#					
Total Directors		**10**	9	10	10	10
– Female		**4**	5	5	4	4
– Male		**6**	4	5	6	6
Independent Directors		**9**	8	9	9	9
Female Directors on Board	%	**40**	56	50	40	40
Group compliance training[2]	%					
Training completion rate – Code of Conduct[3]		**99.5**	99.6	96.7	99.4	97.6
Training completion rate – mandatory learning[4]		**99.5**	99.5	99.5	98.7	98.9
Conduct and whistleblowing	#					
Substantiated misconduct cases		**1,825**	1,851	1,869	1,259	1,022
– Misconduct cases resulting in termination		**105**	136	187	–	–
SpeakUP Program cases		**335**	284	311	143	171
– Whistleblower cases		**123**	103	30	33	44

1 As numbers are actuals, no assurance by PwC is provided.
2 Training completion rates are not 100% as allocated training may be overdue. There are remuneration consequences for employees who do not meet their training obligations. In FY21, methodology changed to include employees who have been allocated training that may be due after 30 June.
3 FY20 has been restated for the change in methodology. Numbers prior to FY19 are for completion of 'Our Commitments' training and have not been restated.
4 Historical numbers have been restated for the change in methodology.

Independent assurance report on sustainability performance metrics

for the year ended 30 June 2021

To: the Board of Directors of the Commonwealth Bank of Australia

Scope

In accordance with the terms of engagement letter dated 23 February 2021, we were engaged by Commonwealth Bank of Australia and its subsidiaries (the Group) to perform an independent limited assurance engagement in respect of the Sustainability Performance Metrics (Customer, Environmental, Social and Governance metrics) and the Energy Value Chain (the Performance Metrics) for the Group for the year ended 30 June 2021, presented on page 31 and pages 58 to 64 on the 2021 Annual Report. The definitions (the Criteria) against which we assessed the Performance metrics are established by management and are presented on pages 293 to 308 of the 2021 Annual Report.

Management's responsibilities

The Management of the Group is responsible for the Performance Metrics and for the preparation of the Performance Metrics in accordance with the Criteria.

Our Independence and Quality control

We have complied with relevant ethical requirements related to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* the firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained.

Our engagement has been conducted in accordance with the Australian Standard on Assurance Engagements (ASAE 3000) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. That standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Performance Metrics have not been prepared, in all material respects, in accordance with the Criteria, for the year ended 30 June 2021. The procedures we performed were based on our professional judgement and included:

- Enquiries of relevant staff responsible for preparing the Performance Metrics;
- Enquiries about the design of the internal controls and systems used to collect and process the Performance Metrics;
- Where applicable, enquiries of third parties responsible for the preparation of data included in the Performance Metrics;
- Enquiries about the design of the systems used by third parties to collect and process the Performance Metrics;
- Comparing the Performance Metrics to relevant underlying sources on a sample basis; and
- Reading the Performance Metrics to determine whether they are in line with our overall knowledge of, and experience with, the corporate responsibility performance.

PricewaterhouseCoopers, ABN 52 780 433 757

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The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Use of report

This report was prepared for the Board of Directors of the Commonwealth Bank of Australia. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Board of Directors of the Commonwealth Bank of Australia, or for any purpose other than that for which it was prepared.

Inherent limitations

Because of the inherent limitations of any assurance engagements due to the selective testing of the information examined, it is possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is not designed to detect all instances of non-compliance of the Performance Metrics with the Criteria, as it is limited primarily to making enquiries, of management, and applying analytical procedures. The limited assurance conclusion expressed in this report has been formed on the above basis.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Performance Metrics have not been prepared, in all material respects, in accordance with the Criteria for the year ended 30 June 2021.

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

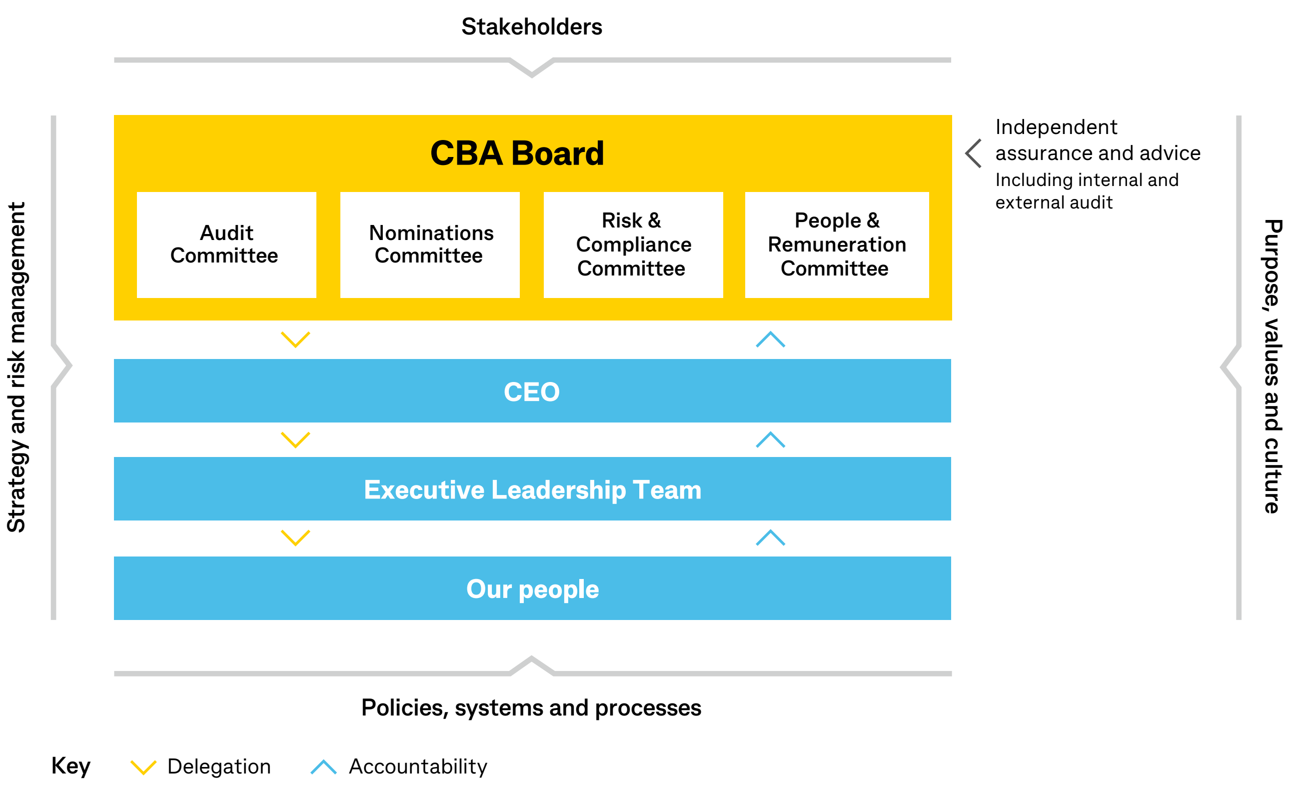
Sydney
11 August 2021

Our approach to governance

We are committed to continuously improving our governance practices and ensuring that they are aligned with our business and stakeholders' needs.

Our governance approach is based on accountability, effective delegation and adequate oversight to support sound decision-making. The Board's role is to represent shareholders by setting the Bank's strategic direction and instilling a culture that is reflective, risk aware and accountable to achieve stakeholder outcomes that are fair and balanced. The Board places high importance on overseeing the Bank's operations and ensuring that we remain well-positioned to continue supporting customers and performing for shareholders over the long term.

Our governance framework



Detailed information about governance at the Commonwealth Bank is provided in our Corporate Governance Statement available at commbank.com.au/corporategovernance

Board priorities during 2021

The Board recognises the importance of balancing new strategic initiatives with core business performance. Over the past financial year, Board priorities included:

Culture

Together with management, the Board has a critical role in setting the cultural tone of the Bank. The Bank remains focused on shaping a culture that supports the Bank's purpose and achievement of business strategies. The Board actively monitors the Bank's culture and cultural change initiatives to ensure the lived experience throughout the Bank aligns with our purpose and values.

For more information see pages 6–7.

Strategy

The Board regularly considers the relevance and effectiveness of the Bank's strategy in the context of current and potential future market conditions. Having made significant progress on our strategy to become a 'simpler, better bank', this year the Board worked closely with management to evolve our strategic priorities, setting a more ambitious agenda: building tomorrow's bank today for customers.

For more information see pages 10–19.

Environment and Social

The Board regularly considers environmental and social matters given their importance to our stakeholders and the Bank's long-term performance. The Board oversaw a review and update of our Environmental and Social Framework, highlighting the Bank's role in supporting Australia's transition to a net zero future.

For more information see pages 20–41.

Risk management

The Board continues to oversee the risks facing the Bank. The Board focused on COVID-19 related risks, in particular ensuring fair and equitable treatment of customers transitioning off COVID-19 support measures. Other priorities included completing the Remedial Action Plan (RAP) and designing the post RAP transition plan, the regulatory and political environment, macroeconomic conditions and digital adoption across the economy.

For more information see pages 42–47.

Financial oversight

The Board remains focused on operational excellence driving growth in our core banking businesses. Prudent balance sheet management contributed to our strong surplus capital position which creates flexibility for the Board to consider capital management initiatives.

For more information see pages 48–57.

Governance

The Board ensures there is appropriate time set aside on its agenda to focus on critical matters. During the year, the Board empowered its Committees to play an enhanced role in matters such as policy reviews and accountability for key projects appropriate for the Committee level. This provides more time on the Board agenda for strategic discussions and consideration of future opportunities.

Stakeholders

The Board recognises effective governance requires engagement with a broad range of stakeholders and consideration of their views in decision making. The Board carries out an annual external engagement program to understand external perspectives and share knowledge with stakeholders including shareholders and regulators.

Board performance

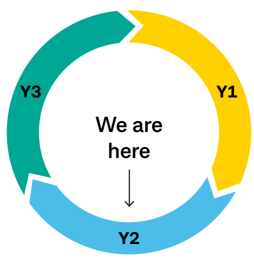
The Board recognises the importance of continuously monitoring and improving its performance and the performance of its Committees. The Board assesses its performance annually, with an independent external evaluation of the Board and its Committees every three years.

The results of the 2020 external review were made available to the Board in August 2020. It concluded that while the Board and its Committees were operating at a level consistent with global better practice, some areas of focus for continuous improvement include:

- Continued engagement with stakeholders to hear external perspectives and share knowledge with industry experts.
- More time allocated for open discussions at Board meetings to facilitate greater focus on the Bank's strategy.
- Increased informal engagement with management, including the layers below senior management.
- Reinforcing the Board's expectations of management to provide the Board with qualitative insights in both meetings and Board papers.

These focus areas have strengthened over the year and were assessed again as part of the 2021 internal evaluation.

Evaluation cycle



Year 1
Externally facilitated

Year 2
Internal review

Year 3
Internal review

APRA Prudential Inquiry Report Board governance recommendations

The Final Report of the 2018 APRA Prudential Inquiry into CBA set out five recommendations relating to the role of the Board. Under the Bank's Remedial Action Plan, the Board designed and implemented target states for each recommendation. The table below sets out the target state and the action taken to ensure Board governance recommendations are sustainably embedded.

#1	**Board visibility** **The Board maintains heightened visibility and continues to have a positive influence on behaviours within the Bank.**	The Board has set clearer expectations of management, and has increased its oversight and scrutiny of the risks facing the Bank. It has become more visible and is challenging executives more than ever to understand and manage the risks in their business. Senior management is clear about the behaviours and actions the Board expects of them and is held to account by the Board.
#2	**Board better practice** **The Board, Board Audit Committee and Risk & Compliance Committee operate consistently with global better practice.**	An external review of performance was undertaken during the year. Board and Board Committee Charters, guidelines and processes have been amended to ensure that the Board, Board Audit Committee and Risk & Compliance Committee are operating at a level consistent with global better practice.
#3	**Board coordination** **The Board ensures clear accountabilities and timely and effective information flows between its Board Audit, Risk & Compliance and People & Remuneration Committees.**	These three Committees have amended Charters to clearly define and delineate the roles and responsibilities of each. Processes have been enhanced to ensure that information flows between Committees are effective and timely, and provide clear oversight of matters referred between Committees through to resolution.
#4	**Audit Committee** **Management owners of material issues are held accountable by the Board Audit Committee (BAC) for the resolution and effective closure of issues within their control.**	The BAC has increased direct engagement with management owners of material issues. Group Audit & Assurance regularly updates the BAC on the management of high-rated issues and reports on follow-up of material issues. Improved monitoring of closure of issues has expedited issue resolution.
#5	**Board reporting** **The Board receives granular information on the Bank's position against its risk appetite and is able to examine non-financial risk issues.**	There has been a considerable focus on the non-financial risk reporting to the Board, including new and emerging risks. The Board receives comprehensive and tailored content to help the Board set the Bank's risk appetite and improve the Board's ability to effectively challenge management's actions.

Board composition and renewal

To support sound decision making, it is important the Bank has Non-Executive Directors who are independent, collectively have relevant skills and experience, and represent a diverse range of views and thinking.

Board composition

The Board currently has 10 Directors, including nine independent Non-Executive Directors and the Chief Executive Officer. With the assistance of the Nominations Committee, the Board regularly reviews its size and composition and considers a number of factors.

Skills and experience

The Board requires an appropriate mix of skills and experience for effective deliberations and judgement. The Board Skills Matrix is reviewed annually by the Nominations Committee to ensure the prescribed skills and experience address the Bank's existing and emerging business and governance issues. The Skills Matrix is also used to guide the ongoing Board renewal process.

Independence

The Board has adopted Independence Standards to assess whether a Director qualifies as an independent Non-Executive Director upon appointment, and to consider the ongoing independence of Non-Executive Directors. The Board considers that all Non-Executive Directors were independent during the 2021 financial year.

Tenure

The Board contains a mix of longer and shorter-serving directors. The average tenure across the Board is approximately three-and-a-half-years, with a range from over seven years to five months. This wide range combines knowledge and history of the Group with fresh insights from Directors who have recently joined the Board.

Diversity

The Board recognises the value of diversity. The Directors on the Board represent a range of ages, nationalities and backgrounds. The Board has a gender diversity target of 40% female, 40% male and 20% of any gender that holds the relevant skills and experience.

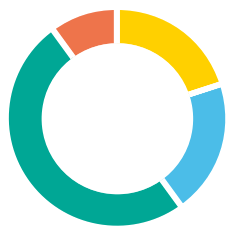
+ **Further information is available in the Corporate Governance Statement at commbank.com.au/corporategovernance**

Board diversity

Female	40%
Male	60%

Meets 2021 target of 40% female

Board tenure



0–1 years	20%
1–3 years	20%
3–6 years	50%
6–9 years	10%

Board renewal

Board renewal and orderly transitions are an important part of ensuring effective Board performance.

After more than five years serving on the Board, Wendy Stops retired as a Non-Executive Director and member of the Audit Committee and People & Remuneration Committee on 13 October 2020 at the conclusion of the 2020 Annual General Meeting.

Simon Moutter was appointed as an independent Non-Executive Director with effect from 1 September 2020 and Peter Harmer was appointed as an independent Non-Executive Director with effect from 1 March 2021. The appointments of Peter Harmer and Simon Moutter have brought new perspectives to the Board given their extensive executive experience. For Simon Moutter, this includes a deep understanding of technology, process effectiveness and business strategy, and for Peter Harmer includes a deep understanding of environmental principles, technology and the financial services sector.

Genevieve Bell AO was appointed a member of the People & Remuneration Committee with effect from 13 October 2020.

As part of the Bank's approach to governance at the Committee level, the Chair of each Board Committee, other than the Nominations Committee Chair, is required to rotate every three to five years. No such rotations were required this year.

Board skills and experience

The Board Skills Matrix sets out the skills and experience considered essential to the effectiveness of the Board and its Committees. This year, the Nominations Committee endorsed, and the Board approved, an update of the Matrix. The Board considers that the new skills in the Matrix (People and culture, Environment and social) support the Bank's evolving strategy and current operating environment.

Skills and experience			Relevance to CBA
Leadership	8 2	Held senior leadership role such as CEO or similar position in an organisation of significant size or complexity.	Setting strategy and evaluating the performance of senior leaders.
Financial services	5 1	Experience in the financial services sector and regulation, including retail and commercial banking services and adjacent sectors.	Appreciation of the operational landscape, opportunities and challenges in the sector.
Financial acumen	7 1	Proficiency in financial accounting and reporting, capital management and/or actuarial experience.	Assessing complex financial and capital management initiatives.
Strategy and global perspective	7 3	Experience in leading, developing or executing strategic business objectives, including bringing to bear a global perspective.	Reviewing and setting the organisational strategy in a global context.
Governance	7 3	Experience as a Non-Executive Director of a listed entity (Australia or overseas) and/or understanding of legal and regulatory frameworks underpinning corporate governance principles.	Understanding local and offshore legal and regulatory frameworks to effectively perform the role of Director.
Risk management	7 3	Experience in identifying, assessing and monitoring systemic, existing and emerging financial and non-financial risks.	Monitoring risk appetite, assessing the overall risk profile and adapting to emerging trends.
Digital and technology	4 3	Experience in technology and innovation and the impact on customer experience.	Supporting the Bank's digital strategy.
Enhanced customer outcomes	7 2	Understanding of the changing needs of customers with a focus on improving their financial wellbeing and enhancing their experience.	Providing constructive challenge to ensure customer needs are met.
Stakeholder engagement	7 3	Experience in building and maintaining trusted and collaborative relationships with governments, regulators and/or community partners.	Ensuring an effective engagement program with regulators and other stakeholders is in place.
People and culture	7 3	Understanding organisational culture, succession planning, and remuneration and reward frameworks.	Overseeing the culture of the Group and upholding the Code of Conduct.
Environment and social	1 8	Understanding the potential risks and opportunities from an environmental and social perspective.	Influencing sustainable practices, policies and decisions that support environmental and social outcomes.

High competency, knowledge and experience   Practised/direct experience

Board of Directors

A strong, diverse team with a broad and complementary mix of skills and experience.

Catherine Livingstone AO

Chairman

BA Hons (Accounting), FCA, FTSE, FAICD, FAA

Appointed: Non-Executive Director from 1 March 2016, Chairman from 1 January 2017
Board Committees: Nominations (Chairman), Audit, Risk & Compliance, People & Remuneration

Catherine has extensive business, finance and executive leadership experience and has contributed to the development of Australia's banking, telecommunications, science, technology and innovation sectors. She has held a number of senior roles, including as Chairman of Telstra Corporation Ltd and of the CSIRO, and as Managing Director and Chief Executive Officer of Cochlear Ltd. Catherine has also served on the boards of Worley Ltd, Macquarie Group Ltd, and is a former President of the Business Council of Australia, the Australian Museum and Chief Executive Women.

Catherine is Chancellor of the University of Technology Sydney. She is also a member of the Steering Committee for the CSIRO Australia Telescope National Facility and of the Australian Ballet Board.

Directorships of other listed entities in the last three years:
Worley Ltd (July 2007 – October 2019)

Matt Comyn

Managing Director and Chief Executive Officer

BAv, MCom, EMBA, GMP

Appointed: 9 April 2018
Board Committees: Nil

Matt has 20 years' experience in banking across business, institutional, retail and wealth management and has held a number of senior leadership roles since joining the Bank in 1999.

As CEO, Matt is focused on delivering global best digital experiences for customers, underpinned by stronger risk management and a continuing commitment to innovation and customer service. From 2012 until his appointment as CEO, Matt was Group Executive Retail Banking Services, the Bank's largest operating division, which accounts for more than half of the Bank's profit and also leads the development of digital products and services for the Bank. Between 2006 and 2010, Matt was Managing Director of the Bank's biggest digital business, CommSec, overseeing a significant modernisation of its technology platform and growing market share and profitability.

Matt is the Chair of the Australian Banking Association and serves on the Board of UNICEF Australia and the Financial Markets Foundation for Children.

Directorships of other listed entities in the last three years: Nil

Shirish Apte

Independent Non-Executive Director

ACA, BCom, MBA

Appointed: 10 June 2014
Board Committees: Audit, Risk & Compliance

Shirish has more than three decades of international banking experience at Citi, where he focused on corporate, investment banking, and risk management, and managed commercial and retail banking businesses at country and regional level. His roles included Co-Chairman of Citi Asia Pacific Banking, Chief Executive Officer of Citi Asia Pacific, Co-Chief Executive Officer of Europe, Middle East and Africa, and Country Manager and Deputy Chairman of Citi Handlowy, Poland.

Shirish is a Director of Keppel Corporation Ltd, a Director and Chairman of Fullerton India Credit Company Ltd and a Director of Aviva Sing Life Holdings.

Directorships of other listed entities in the last three years:
IHH Healthcare Bhd (September 2014 – May 2021), Fortis Healthcare Ltd (January 2019 – July 2021) and Citi Handlowy (Member of the Supervisory Board) (March 2016 – December 2020)

Genevieve Bell AO

Independent Non-Executive Director

PhD, MA, MPhil, BA, FTSE, FAHA

Appointed: 1 January 2019
Board Committees: Nominations and People & Remuneration

Genevieve is a cultural anthropologist, technologist and futurist with deep knowledge and understanding of technology in society and business. She is adept at bringing together social science, design, computing and engineering to enhance customer experiences. Genevieve is also an experienced business executive, having spent 18 years working at Intel Corporation in Silicon Valley, including as Vice President. She remains a Senior Fellow at Intel and is Vice President of Intel's Product Assurance and Security Group.

Genevieve is a Distinguished Professor, Director of the School of Cybernetics and Director of the 3A Institute (3Ai) at the College of Engineering and Computer Science at the Australian National University (ANU) and is the university's inaugural Florence Violet McKenzie Chair. She is also a member of the National Science and Technology Council, and an Engelbart Distinguished Fellow of SRI International. Genevieve has been nominated to contribute her expertise to the Global Partnership on Artificial Intelligence.

Directorships of other listed entities in the last three years: Nil

Peter Harmer

Independent Non-Executive Director

Harvard Advanced Management Program

Appointed: 1 March 2021
Board Committees: Nil

Peter brings a diversity of thought in the areas of risk, customer perspectives and environmental, social and governance practices. He has significant experience in customer service and innovation within the insurance segment and financial services, and a deep understanding of environmental principles.

Peter was previously Managing Director and Chief Executive Officer of Insurance Australia Group Ltd (IAG). Peter joined IAG in 2010 and held a number of senior roles. During his time at IAG he led initiatives for driving digital innovation across IAG and its brands, and created incubator areas to explore innovative customer solutions across the fintech landscape. Prior to IAG he was Chief Executive Officer of Aon Ltd UK and a member of Aon's Global Executive Committee.

Peter is a Director of nib holdings Ltd, AUB Group Ltd and Lawcover Insurance Pty Ltd, and an Executive Mentor with Merryck & Co ANZ and a member of the Bain Advisory Council.

Directorships of other listed entities in the last three years:
nib holdings Ltd (July 2021 – present), AUB Group Ltd (July 2021 – present), Insurance Australia Group Ltd (November 2015 – November 2020) and IAG Finance (New Zealand) Ltd (December 2015 – December 2019)

Paul O'Malley

Independent Non-Executive Director

BCom, M.App Finance, ACA

Appointed: 1 January 2019
Board Committees: People & Remuneration (Chairman), Risk & Compliance

Paul has broad executive leadership and operational experience. He served as Managing Director and Chief Executive Officer of BlueScope Steel Ltd for 10 years, after joining the company as Chief Financial Officer. Previously, Paul was the Chief Executive Officer of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas. He also has a strong background in finance and accounting and worked in investment banking and audit. Paul is a former Director of the Worldsteel Association, Chair of its Nominating Committee, and Trustee of the Melbourne Cricket Ground Trust.

Paul is a Non-Executive Director of Coles Group Ltd, and he serves as the Chairman for Australian Catholic Redress Ltd.

Directorships of other listed entities in the last three years:
Coles Group Ltd (October 2020 – present)

Simon Moutter

Independent Non-Executive Director

BSc, BE (Hons), ME

Appointed: 1 September 2020
Board Committees: Nil

Simon has extensive leadership experience in technology, process effectiveness and business strategy. He was Managing Director of Spark New Zealand Ltd, where he held this position for seven years until 2019. He is also a former Chief Executive Officer of Auckland International Airport and has previously managed various aspects of Telecom New Zealand as Chief Operating Officer.

Simon is a Director and Operating Partner of three privately owned companies – Smart Environmental Ltd, Agility CIS Ltd and Intellihub Ltd. He is also Chairman of Designer Wardrobe Ltd.

Directorships of other listed entities in the last three years:
Spark New Zealand Ltd (August 2012 – June 2019)

Mary Padbury

Independent Non-Executive Director

BA LLB (Hons), GAICD

Appointed: 14 June 2016
Board Committees: Nominations, People & Remuneration

Mary is an intellectual property and trade practices lawyer with over 35 years' international legal, governance and technology experience. Mary served as the Chairman of Ashurst Australia before its full merger with Ashurst LLP, and was the global Vice Chairman of the post-merger firm. She retired as a Partner of Ashurst at the end of April 2018.

Mary is the Chairman of the Macfarlane Burnet Institute for Medical Research and Public Health Ltd, and a member of Chief Executive Women.

Directorships of other listed entities in the last three years: Nil

Anne Templeman-Jones

Independent Non-Executive Director

BCom, EMBA, MRM, CA, FAICD

Appointed: 5 March 2018
Board Committees: Audit (Chairman), Risk & Compliance

Anne is an experienced listed company director with substantial operational risk, banking and strategy experience. Anne is Chairman and a Director of Blackmores Ltd, and a Director of G.U.D. Holdings Ltd and Worley Ltd. During her 30-year executive career, Anne held a number of leadership positions in corporate and private banking with domestic and offshore banks, including Westpac Banking Corporation, Australia and New Zealand Banking Group Ltd and Bank of Singapore. Anne is the former Chairman of Commonwealth Bank's financial advice companies and has served on the boards of The Citadel Group Ltd, Cuscal Ltd, HT&E Limited, Pioneer Credit Ltd, TAL Superannuation Fund and HBF's private and general insurance companies.

Anne is a Non-Executive Director of the Cyber Security Research Centre Ltd and a Director of New South Wales Treasury Corporation.

Directorships of other listed entities in the last three years:
G.U.D. Holdings Ltd (August 2015 – present), The Citadel Group Ltd (September 2017 – May 2020), Worley Ltd (November 2017 – present) and Blackmores Ltd (October 2020 – present)

Rob Whitfield AM

Independent Non-Executive Director

BCom, Grad Dip Banking, Grad Dip Fin, AMP, SF Fin, FAICD

Appointed: 4 September 2017
Board Committees: Risk & Compliance (Chairman), Nominations, Audit

Rob has extensive leadership experience across banking, finance and risk in both the private and public sectors. During Rob's 30-year executive career with Westpac Banking Corporation he held a number of senior leadership positions, including Chief Executive Officer of the Institutional Bank, Chief Risk Officer, Group Treasurer and Chairman of the Asia Advisory Board. In these roles Rob developed a deep knowledge of equity and capital markets and was instrumental in developing Westpac's risk management function and strategies.

Rob is a Director of GPT Group and Transurban Ltd. He is a former Chairman and Director of New South Wales Treasury Corporation, former Secretary of NSW Treasury, former Secretary of NSW Industrial relations, and a former Deputy Chair of the Australian Financial Markets Association.

Directorships of other listed entities in the last three years:
GPT Group (May 2020 – present) and Transurban Ltd (November 2020 – present)

Wendy Stops retired as a Non-Executive Director on 13 October 2020.

Executive Leadership Team

Pascal Boillat

Group Executive, Enterprise Services and Chief Information Officer

Appointed: October 2018

Priorities: Pascal is responsible for digital delivery, technology, operations, security (including cyber, fraud and physical security) and business resilience. He is focused on the safe, sound and secure provision of the Bank's technology and enhancing operations to deliver global best digital experiences and technology.

Experience: Pascal has more than 30 years' international experience in financial services. Prior to joining the Bank, Pascal was Group Chief Information Officer at Deutsche Bank, with accountability for technology strategy and delivery of IT. He also held technology-focused executive roles at Fannie Mae, Citibank and Credit Suisse.

David Cohen

Deputy Chief Executive Officer

Appointed: November 2018

Priorities: David's key priority is supporting the Chief Executive Officer on Group-wide initiatives to build tomorrow's bank today for our customers. He also has responsibility for Customer and Community Advocacy, Aligned Advice Remediation, Mergers and Acquisitions, Group Investigations, Colonial First State and PT Bank Commonwealth in Indonesia.

Experience: David joined the Bank in 2008 and has held a number of senior roles, including Group General Counsel, Group Executive Corporate Affairs and Chief Risk Officer. Previously, he was General Counsel for AMP and a partner with Allens Arthur Robinson for 12 years.

Alan Docherty

Group Executive, Financial Services and Chief Financial Officer

Appointed: October 2018 (Acting CFO from May 2018)

Priorities: Alan leads the Group's finance, treasury, tax, investor relations, property and procurement functions. His priorities are to provide accurate, independent and objective analysis to drive sound decision making and performance; managing balance sheet settings in a sustainable and conservative manner; and delivering capital generation that supports better outcomes for all stakeholders.

Experience: Alan joined the Bank in 2003 and has held numerous senior roles in finance, including CFO of IB&M. He started his career with PwC's Financial Services practice in the UK before joining Arthur Andersen in Australia. Alan is a member of the Institute of Chartered Accountants of Scotland.

Andrew Hinchliff

Group Executive, Institutional Banking and Markets

Appointed: August 2018

Priorities: Andrew is responsible for serving the banking and finance needs of large corporates, governments and institutions in Australia and select international markets by providing a full range of financial markets, capital raising, sustainable finance, transactional banking and risk management solutions and services. His priority is to ensure that IB&M leverages its network, capital, capabilities, data and analytics to help clients build Australia's future economy.

Experience: Andrew joined the Bank in 2015 as Executive General Manager, Global Markets. His career in investment banking spans more than 20 years, having held various leadership positions with Goldman Sachs and Credit Suisse First Boston in London, New York and Australia.

Sian Lewis

Group Executive, Human Resources Acting Group Executive, Marketing and Corporate Affairs [1]

Appointed: August 2018

Priorities: Sian is focused on helping the Bank ensure our people and communities are skilled for the future; that we offer the very best experiences for employees; and that CBA's culture is anchored in our values. She is also committed to promoting employee wellbeing and strengthening and supporting a diverse and inclusive workforce.

Experience: Sian joined the Bank in 2014 and has been Executive General Manager, Direct Channels. Previously, Sian spent nine years at Westpac, leading retail and commercial banking, marketing and call centre teams. Sian also spent 10 years in senior HR consulting roles in the UK and two years in Australia consulting to APRA.

Carmel Mulhern

Group General Counsel and Group Executive, Legal & Group Governance

Appointed: January 2020

Priorities: Carmel is responsible for the Group's legal and governance functions and advises the Chief Executive Officer and the Board. Her priorities are to ensure the fair and efficient resolution of the Group's legal matters and to support the effectiveness of the Board.

Experience: Carmel has over 25 years' legal experience. Prior to joining the Bank, she was the Group General Counsel and Group Executive Legal & Corporate Affairs at Telstra. While at Telstra, Carmel also held the positions of General Counsel Finance and Administration, as well as Company Secretary. Carmel is a Fellow of the Governance Institute of Australia.

Vittoria Shortt

Chief Executive and Managing Director, ASB Bank Ltd

Appointed: February 2018

Priorities: Vittoria is responsible for leading the Group's New Zealand banking business, operating under the ASB brand. Her priorities are to provide leading customer experiences and outcomes; harnessing new technology to provide innovative solutions; and supporting programs that have a significant positive impact for New Zealanders.

Experience: Vittoria joined the Bank in 2002 and has held various executive and senior leadership positions, including Group Executive Marketing and Strategy, Chief Marketing Officer of Commonwealth Bank, and Chief Executive Retail at Bankwest. Vittoria started her career in corporate finance and mergers and acquisitions with Deloitte and Carter Holt Harvey.

Angus Sullivan

Group Executive, Retail Banking Services

Appointed: July 2018

Priorities: Angus is responsible for providing market-leading services to the retail customers of Commonwealth Bank and Bankwest. His priorities are to deliver exceptional customer service and outcomes, global best technology and innovation in retail products and services.

Experience: Angus joined the Bank in 2012 as Executive General Manager, Group Strategy and has held a number of senior positions in the retail bank across products, payments and the branch network. Previously, he was a Partner at McKinsey & Co. in New York, specialising in retail and commercial banking, wealth management, payments and general insurance.

Mike Vacy-Lyle

Group Executive, Business Banking

Appointed: February 2020

Priorities: Mike is responsible for serving the banking needs of business, corporate and agribusiness customers, and for the Bank's online equities trading platform, CommSec. Mike's focus is on extending the Bank's business banking and payments capabilities, and on making banking simpler and better for customers by providing market-leading service, products and technology.

Experience: Prior to joining the Bank, Mike was Chief Executive Officer of FNB Commercial Banking in South Africa. He spent almost 20 years working at FNB Commercial Banking holding various roles across finance, pricing, product, capital management, sales and relationship management.

Scott Wharton

Group Executive, Program Delivery

Appointed: August 2019

Priorities: Scott is responsible for implementing major Group-wide programs. These include the Bank's Remedial Action Plan which responds to the APRA Prudential Inquiry into CBA, cost reduction and other programs helping CBA to become a simpler, better bank.

Experience: Scott joined the Bank in 2016 from Citigroup in New York where he was Managing Director and Global Head of Enterprise Supply Chain. He has 20 years' international financial services experience, with extensive knowledge of technology, operations, risk and finance. Scott is Adjunct Professor (Industry) at the University of Technology Sydney.

Nigel Williams

Group Chief Risk Officer

Appointed: November 2018

Priorities: Nigel is focused on ensuring our people manage risk and compliance well to maintain the trust placed in the Group by our customers, shareholders and the community. He is accountable for ensuring the effective governance and management of all risk types – including credit risk, operational risk, compliance, liquidity, financial crime compliance and insurance.

Experience: Nigel has over 35 years of international banking experience, having held Directorships and executive business and risk management leadership roles. Prior to joining the Bank, Nigel was the Chief Risk Officer at Australia and New Zealand Banking Group (ANZ).

1 Priscilla Sims Brown ceased as Group Executive, Marketing and Corporate Affairs on 31 May 2021. Monique Macleod will be commencing as Group Executive, Marketing and Corporate Affairs mid-September 2021.

Directors' report

The Directors of the Commonwealth Bank of Australia present their report, together with the Financial report of the Commonwealth Bank of Australia (the Bank) and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2021.

Principal activities

We are one of the leading providers of financial services in Australia. We serve more than 15 million customers with a focus on providing retail and commercial banking services predominantly in Australia, and in New Zealand through our subsidiary ASB. Our products and services are provided through our divisions, Retail Banking Services, Business Banking, Institutional Banking and Markets, and ASB New Zealand.

+ **A review of the divisional operations and their results for the financial year ended 30 June 2021 can be found on pages 54–57.**

Building simpler, better foundations

We have undertaken and completed a number of transactions that are consistent with our strategy to focus on our core banking business and to create a simpler and better bank. Those transactions that were executed or completed in the past two financial years are set out below.

On 1 November 2019, the Group announced the implementation of a joint cooperation agreement (JCA) which resulted in the full economic interests associated with CommInsure Life being transferred to AIA, and AIA obtaining direct management and control of the business (excluding the Group's 37.5% equity interest in BoCommLife Insurance Company Limited (BoCommLife)). As a result, CommInsure Life (excluding BoCommLife) was deconsolidated and derecognised on 1 November 2019. The sale completed via a statutory asset transfer on 1 April 2021.

On 28 April 2020, the Group announced the sale of its subsidiary, Australian Investment Exchange Limited (AUSIEX), to Nomura Research Institute (NRI). The sale completed on 3 May 2021.

On 13 May 2020, the Group entered into an agreement to sell a 55% interest in Colonial First State (CFS) to KKR. The sale is subject to regulatory approvals, and is expected to complete in the second half of calendar year 2021.

On 4 June 2020, the Group completed the sale of its 80% interest in its Indonesian life insurance business, PT Commonwealth Life (PTCL), to FWD Group (FWD). As part of the sale, CBA's Indonesian banking subsidiary, PT Bank Commonwealth (PTBC), has entered into a 15-year life insurance distribution partnership with FWD.

The Group ceased providing licensee services through Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) in March 2020 and through Financial Wisdom Limited (Financial Wisdom) in June 2020.

On 10 December 2020, the Group completed the sale of its 37.5% equity interest in BoCommLife to MS&AD Insurance Group Holdings, Inc., the ultimate parent company of Mitsui Sumitomo Insurance Co.

On 16 December 2020, the Group announced that it had entered into an agreement to merge Aussie Home Loans with Lendi Pty Ltd (Lendi). The transaction completed on 3 May 2021.

On 21 June 2021, the Group announced the sale of CommInsure General Insurance to Hollard Insurance Company Pty Ltd (Hollard). The sale is subject to Australian regulatory approvals and other conditions, and is expected to complete in mid-calendar year 2022.

CFS and the Group's interest in BoCommLife have been classified as discontinued operations in the Group's financial statements for the year ended 30 June 2021. The assets and liabilities of CFS are classified as held for sale as at 30 June 2021.

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

+ **For further details, refer to Note 1.1 and Note 11.3 in the *Financial report* on pages 121 and 262–264, respectively.**

Operating and financial review

Group profit

The Group's statutory net profit after tax for the financial year ended 30 June 2021 was $10,181 million, an increase of $589 million or 6% on the prior year. Statutory net profit after tax from continuing operations for the financial year ended 30 June 2021 was $8,843 million, an increase of $1,455 million or 20% on the prior year. This was driven by a 2% increase in total operating income and a 78% reduction in loan impairment expense, partly offset by a 4% increase in operating expenses.

Statutory net profit after tax from discontinued operations for the financial year ended 30 June 2021 was $1,338 million, a decrease of $866 million or 39% on the prior year. This was predominantly driven by higher gains on disposals of businesses net of transaction and separation costs in the prior financial year.

Statutory net profit after tax complies with the requirements of the *Corporations Act 2001* (Cth), Australian Accounting Standards and International Financial Reporting Standards (IFRS). The cash net profit after tax is management's preferred measure of the Group's financial performance. It excludes items that are non-recurring in nature and are not considered representative of the Group's ongoing financial performance (non-cash items). We use the cash net profit after tax to present a clear and consistent view of our financial performance from period to period.

The Group's cash net profit after tax including discontinued operations for the year ended 30 June 2021 was $8,801 million, an increase of $1,394 million or 19% on the prior year. Excluding discontinued operations, cash net profit after tax for the year ended 30 June 2021 was $8,653 million, an increase of $1,428 million or 20% on the prior year. For further detail on the drivers of cash net profit after tax, refer to the *Financial performance* section on pages 48–57.

Cash to statutory profit reconciliation

Statutory net profit after tax includes the following non-cash items:

	Continuing operations		Total including discontinued operations	
	FY21	FY20[1]	FY21	FY20[1]
Net profit after tax – cash basis	**8,653**	7,225	**8,801**	7,407
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	**183**	70	**1,373**	2,092
Hedging and IFRS volatility	**7**	93	**7**	93
Net profit after tax statutory basis	**8,843**	7,388	**10,181**	9,592

1 Comparative information has been restated. For further details, refer to Note 1.1 in the *Financial report* on pages 122–123.

Non-cash items include:

- **Gain/(loss) on acquisition, disposal, closure and demerger of businesses:** Gains and losses on these transactions are inclusive of foreign exchange impacts, impairments, restructuring, separation and transaction costs and cover both controlled businesses and associates.
- **Hedging and IFRS volatility:** Hedging and IFRS volatility represents timing differences between fair value movements on qualifying economic hedges and the underlying exposure. To qualify as an economic hedge, the terms and/or risk profile must match or be substantially the same as the underlying exposure.

Directors' report (continued)

Assets and liabilities

Home loans increased $37 billion or 7%, reflecting strong new business volumes and a continued focus on credit decisioning turnaround times. Australian home loan balance growth of 7% was above the market growth.

Business and corporate loans increased 1%, primarily driven by domestic business lending growth across property, agriculture and health industries, while continuing to support Australian businesses with 12,600 additional loans funded under the Government's SME Guarantee Scheme. This was partly offset by a decline in institutional lending balances due to continued focus on risk adjusted returns.

Deposits increased $64 billion or 9%, primarily driven by continued growth in transaction and savings deposits, partly offset by lower investment deposits. The increase in transaction and savings deposits was driven by increased domestic money supply, growth in mortgage offset accounts and customer preference for at-call deposits in the low interest rate environment.

Debt issues decreased $40 billion or 28%, reflecting lower wholesale funding requirements due to growth in deposits and funding available under the RBA Term Funding Facility.

Term funding from central banks increased $50 billion, primarily driven by the drawdown of the RBA Term Funding Facility.

	As at		
Total Group assets and liabilities ($m)	30 Jun 21	30 Jun 20[1]	change
Home loans	579,756	542,881	7%
Consumer finance	16,997	18,217	(7%)
Business and corporate loans	220,703	218,126	1%
Total Group lending	817,456	779,224	5%
Other assets (including held for sale)	274,506	236,247	16%
Total assets	1,091,962	1,015,471	8%
Deposits	764,502	700,846	9%
Debt issues	103,003	142,503	(28%)
Term funding from central banks	51,856	1,500	large
Other liabilities (including held for sale)	93,883	98,684	(5%)
Total liabilities	1,013,244	943,533	7%

1 Comparative information has been restated. For further details, refer to Note 1.1 in the *Financial report* on pages 122–123.

Further information and analysis of the financial performance of the Group for the financial year ended 30 June 2021 can be found in the *Financial performance* section on pages 48–57 of this Annual Report. Details on our risk management framework, material risk types and approach to managing them can be found in the *Overview* (pages 2–9), *How we create value* section (pages 10–77), including the *Managing our strategic risks* section (pages 42–47) of this Annual Report. These sections also include a description of the material trends in our current external operating context and more information on our business strategies and prospects for future financial years.

Other than the information included in the operating and financial review and throughout this Annual Report by cross reference, information on other likely developments, business strategies and prospects for future financial years of the Group's operations has not been included in this report as it would be likely to result in unreasonable prejudice to the Group.

Dividends

Details of dividends paid and dividends determined are outlined in Note 8.4 in the *Financial report* on pages 202–203.

Litigation and regulatory matters

Consistent with an industry-wide trend, there has been an increase in litigation and regulatory proceedings against the Group. The proceedings include:

- the defence of eleven class actions, two of which were commenced in financial year 2021. These include two separate shareholder class action proceedings, four class action claims in relation to superannuation products, a class action that was commenced by Bankwest customers, a class action in relation to consumer credit insurance for credit cards and personal loans, two class actions related to financial advice, as well as a class action commenced in the United States relating to the BBSW benchmark; and
- five ASIC civil penalty proceedings currently underway against CBA or a Group entity, and one further civil penalty proceeding determined by the Court in October 2020.

There are also a number of ongoing matters where regulators are investigating whether CBA or a Group entity has breached legal or regulatory obligations. Where a breach has occurred, regulators are likely to impose, or apply to a Court for, fines and/or other sanctions. These matters include investigations of issues which were considered by the Financial Services Royal Commission, as well as a number of other matters notified to, or identified by, regulators. The Group is also party to four enforceable undertakings with a regulator and continues to receive various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews.

In addition to possible regulatory actions and reviews, there may also be financial exposure to claims by customers, third parties and shareholders and this could include further class actions, customer remediation or claims for compensation. The outcomes and total costs associated with such regulatory actions and reviews, and possible claims remain uncertain.

The Board continues to monitor each of these actions, investigations and reviews. CBA also continues to engage with its regulators in relation to the matters under investigation.

For further information about some of the more significant litigation and regulatory matters referred to above, refer to Note 7.1 in the *Financial report* on pages 189–193.

Change in state of affairs

Significant changes in the state of affairs of the Group during the financial year include:

- Changes in the nature of principal activities outlined in the *Building simpler, better foundations* section on page 78.
- Changes to the Board as outlined in the *Our approach to governance* section on pages 67–77.

Other than the changes outlined above and discussed in this Annual Report, there have been no other significant changes in the state of affairs during the financial year.

Events subsequent to reporting date

The Bank expects the Dividend Reinvestment Plan (DRP) for the final dividend for the year ended 30 June 2021 will be satisfied in full by an on-market purchase of shares of approximately $557 million.

On 13 May 2020, the Group entered into an agreement to sell a 55% interest in Colonial First State (CFS) to KKR. The sale is subject to regulatory approvals and is expected to complete in the second half of calendar year 2021. As a result of changes to the fee structures of certain CFS products and other impacts to the earnings of CFS associated with its separation from the Group, the Group and KKR have agreed to amend certain financial terms of the sale subsequent to 30 June 2021, including to the originally expected proceeds of $1.7 billion. These amendments are not expected to have a material impact on the financial outcomes from the transaction.

On 28 July 2021, the Group entered into an agreement with AIA Australia for a partial transfer of the Commonwealth Financial Planning (CFP) business to AIA Financial Services Limited. The transaction is expected to complete in the second half of calendar year 2021. The Group expects to recognise a post-tax loss of approximately $52 million mainly resulting from the write-down of assets to fair value less cost to sell.

On 11 August 2021, the Bank announced its intention to undertake an off-market buy-back of up to $6 billion of shares. Shareholder participation in the buy-back is voluntary. The Bank reserves the right to vary, suspend or terminate the buy-back at any time.

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of economic recovery. In accordance with AASB 110 *Events after the Reporting Period*, the Group considered whether events after the reporting period confirmed conditions existing before the reporting date. Consideration was given to the macro-economic impact of lockdowns implemented across New South Wales, Victoria and South Australia, the closure of state borders, and the extension of further government support measures. The Group did not identify any subsequent events precipitated by COVID-19 related developments, which would require adjustment to the amounts or disclosures in the financial statements. Further, no other material non-adjusting subsequent events relating to COVID-19 were identified requiring disclosure in the financial statements. Given the fluid nature of the current situation, the Group will continue to regularly review forward looking assumptions and forecast economic scenarios.

The Directors are not aware of any other matter or circumstance that has occurred since 30 June 2021, that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Environmental reporting

We are subject to the Federal Government's National Greenhouse and Energy Reporting (NGER) scheme. The scheme makes it mandatory for controlling corporations to report annually on greenhouse gas emissions, energy production and energy consumption, if they exceed certain threshold levels. Our NGER submission is independently audited and submitted before the deadline to ensure that the Group meets the NGER requirements.

We do not believe that we are subject to any other significant environment reporting regulations under the law of the Commonwealth or of a State or Territory of Australia. Our environmental policies are updated to manage risks appropriately.

+ For more information on our voluntary environmental reporting, see the *Our approach to climate change* section on pages 22–33 and our environmental metrics on pages 60–61.

Modern slavery reporting

We are subject to Australia's *Modern Slavery Act 2018* (Cth) and we published our first modern slavery statement in compliance with this legislation during the 2021 financial year. This statement details the actions taken in the 2020 financial year to identify, manage and mitigate the risk of exposing people to modern slavery in our supply chain and through our business operations. This disclosure builds upon our annual compliance with the UK *Modern Slavery Act 2015* since publishing our first modern slavery and human trafficking statement in 2016.

Directors' report (continued)

Directors and Directors' meetings

The Board of the Commonwealth Bank of Australia met 11 times during the year ended 30 June 2021. In addition, Directors attended Board strategy sessions and special purpose committee meetings during the year.

The following table includes:

- names of the Directors holding office at any time during, or since the end of, the financial year; and
- the number of scheduled and unscheduled Board and Board Committee meetings held during the financial year for which each Director was a member of the Board or relevant Board Committee and eligible to attend, and the number of meetings attended by each Director.

All Directors may attend Board Committee meetings even if they are not a member of the relevant Committee. The table below excludes the attendance of those Directors who attended meetings of Board Committees of which they are not a member.

	Board				Committees									
	Scheduled meetings		Unscheduled meetings[1]		Risk & Compliance		Audit		People & Remuneration		Nominations		Concurrent	
	Held[2]	Attended	Held[3]	Attended	Held[2]	Attended	Held[2]	Attended	Held[2]	Attended	Held[2]	Attended	Held[4]	Attended
Director														
Catherine Livingstone AO	10	10	1	1	6	6	6	6	7	7	7	7	2	2
Matt Comyn	10	10	1	1										
Shirish Apte	10	10	1	1	6	6	6	6					2	2
Genevieve Bell AO[5]	10	10	1	1					4	4	7	7	2	2
Peter Harmer[6]	4	4												
Simon Moutter[7]	9	9												
Paul O'Malley	10	10	1	1	6	6			7	7			2	2
Mary Padbury	10	10	1	1					7	7	7	7	2	2
Wendy Stops[8]	4	4	1	1			2	2	3	3				
Anne Templeman-Jones	10	10	1	1	6	6	6	6					2	2
Rob Whitfield AM	10	10	1	1	6	6	6	6			7	7	2	2

1 Out of cycle Board meetings typically called for a special purpose that do not form part of the Board approved yearly planner.
2 The number of scheduled meetings held during the time the Director was a member of the Board or of the relevant committee.
3 The number of unscheduled meetings held during the time the Director was a member of the Board.
4 The number of concurrent meetings of the four Board committees held during the time the Director was a member of the relevant committee.
5 Genevieve Bell AO was appointed as a member of the People & Remuneration Committee on 13 October 2020.
6 Peter Harmer was appointed as a Director on 1 March 2021.
7 Simon Moutter was appointed as a Director on 1 September 2020.
8 Wendy Stops retired as a Director on 13 October 2020 at the close of the AGM.

+ **Details of current Directors, their experience, qualifications, directorships of other listed entities and any special responsibilities, including Board Committee memberships, are set out in the *Our approach to governance* section on pages 67–77.**

Options and share rights outstanding

There are no options over Bank shares on issue as at the date of this report. As at the date of this report, there are 1,061,111 share rights outstanding in relation to Bank ordinary shares and no employee options. Holders of outstanding share rights in relation to the Bank's ordinary shares do not have any rights under the share rights to participate in any share issue or interest of the Bank.

Directors' interests in contracts

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

Directors' and officers' indemnity and insurance

Constitution

The Directors, as named on pages 72–75 of this report, and the Company Secretaries of the Bank, referred to below, are indemnified under the Constitution of the Commonwealth Bank of Australia (the Constitution), as are all current or former Directors or Executive Officers of the Bank.

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

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

Deeds of indemnity

An indemnity on substantially the same terms to that provided in the Constitution, has been provided to each Director of the Bank, in a Deed of Indemnity, and each Company Secretary of the Bank, in a Deed of Indemnity and/or an Indemnity Deed Poll described below.

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

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

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

Insurance

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

Proceedings on behalf of the Bank

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

Rounding and presentation of amounts

Commonwealth Bank is an entity to which ASIC Corporations Instrument 2016/191 dated 24 March 2016, relating to the rounding of amounts in directors' reports and financial reports, applies. Pursuant to this Instrument, amounts in this Directors' report and the accompanying financial report have been rounded to the nearest million dollars, unless indicated otherwise.

Company secretaries

Kara Nicholls was appointed Group Company Secretary of the Bank on 8 January 2019. Kara has extensive listed company expertise with over 20 years' of global equity markets, commercial and corporate governance experience. She was previously Company Secretary of Caltex Australia Limited and prior to that was Company Secretary of Woolworths Limited, Arrium Limited and Global Head of Company Secretariat for Macquarie Capital Funds. Prior to those roles, Kara spent almost six years at the ASX. Kara is the Chair of Gidget Foundation Australia. She is a Fellow of the Governance Institute of Australia (GIA), and a member of the Australian Institute of Company Directors (AICD) and the GIA Legislative Review Committee.

FGIA, MAICD, B.Bus, MLS, JP

Kristy Huxtable was appointed Company Secretary of the Bank on 20 March 2019. Kristy has extensive listed company expertise in financial services and regulated entities. In her role as Company Secretary, Kristy brings extensive corporate governance experience, having previously worked as Company Secretary at Suncorp and the ASX. Kristy is a Fellow of the GIA, and a Member of the AICD and the GIA Legislative Review Committee.

FGIA, MAICD, MBA, Grad.Dip.Corp.Gov, Grad.Dip.HR

Carmel Mulhern was appointed Company Secretary of the Bank on 10 December 2020. Carmel is also the Bank's Group General Counsel and Group Executive, Legal & Group Governance and her experience is set out on page 76.

FGIA, BA, LLB, LLM

Remuneration report

Dear Shareholder

The performance of the Group in a challenging year has been strong and the Bank's leadership team remain focused on supporting our people, customers and the communities we serve.

In this section

Remuneration overview 86

1. Variable remuneration outcomes for the financial year ended 30 June 2021 93
2. Executive remuneration framework in detail 95
3. Executive statutory remuneration 100
4. Risk and remuneration consequences 106
5. Non-Executive Director arrangements 107
6. Loans and other transactions 110

On behalf of the Board, I am pleased to present the 2021 Remuneration Report.

Throughout the financial year, we faced significant uncertainty both in terms of the health crisis and the economy. Australia continues to navigate the crisis directly impacting our people, customers and communities. In this challenging context, the Group has performed strongly for shareholders, maintained our 'unquestionably strong' capital position, adapted to new ways of working, embedded our cultural and risk transformation and importantly, continues to focus on supporting Australia's recovery.

Changes to the executive remuneration framework

Last year, the Board reviewed the executive remuneration framework to ensure it attracts and retains exceptional talent, meets the spirit of anticipated regulatory change, aligns with shareholders and is fit for purpose for the years ahead. Highlights of these changes include reducing total remuneration opportunity by 19%, reducing the cash opportunity by 12%, and increasing the maximum vesting period to support sustainable performance and ownership.

Performance continues to be assessed across core financial and non-financial outcomes, and reflects both individual and collective accountabilities and priorities.

The redesigned long-term remuneration arrangement better aligns with the shareholder experience and responds to the requirements of the new Australian Prudential Regulation Authority (APRA) regulatory standard on remuneration (CPS 511). Our new long-term alignment remuneration (LTAR) component is subject to a pre-grant assessment focused on future financial and non-financial drivers of performance and our long-term variable remuneration (LTVR) component is linked to relative total shareholder return performance. Together, they support a focus on accountability and sustaining superior and positive returns over time.

Extended vesting periods (an additional three years for the CEO) reflect longer risk and performance horizons, which are supported by enhanced malus and new clawback requirements. This ensures executives are held accountable for sustainable outcomes, and that there are consequences in the event of serious risk issues or misconduct. The Group continues to enhance our risk, remuneration and consequence management frameworks.

Further detail on the remuneration framework (including a comparison to the previous framework) can be found on pages 86 and 87 of the Remuneration Report.

Performance and remuneration outcomes for the 2021 financial year

This year's remuneration outcomes are the first under our new executive remuneration framework. The Board believes the 2021 framework and the outcomes achieved under it, support and reflect positive customer outcomes and sustainable, balanced returns for shareholders.

While initial targets were set in July 2020 in the midst of economic uncertainty, we have taken a dynamic approach over the year to monitor and review targets as economic conditions evolved. We recalibrated cash net profit after tax (NPAT) targets to normalise for original loan impairment expense (LIE) assumptions, resulting in a 13.6% increase to Group NPAT targets set at the start of the year. Looking back, the Board confirms that the increases set for financial targets were stretching in the context of the operating environment.

The Group achieved NPAT of $8,801 million. This was above expectations and above both the initial and recalibrated target.

Our performance on customer, reputation and employee outcomes, and execution of strategy has been similarly strong, with our reputation score, measured via RepTrak, at its highest level in four years. A full breakdown of performance outcomes can be found on page 93.

The CEO's short-term variable remuneration (STVR) outcome for the 2021 financial year reflects the Group's strong financial and non-financial performance, and his final STVR outcome is 87% of maximum.

STVR outcomes for the Group Executives and CEO ASB ranged between 76% and 90% of maximum, with an average of 85%. These outcomes are inclusive of STVR risk adjustments applied to one of 10 Executives.

The 2018 financial year LTVR award reached the end of its four-year performance period on 30 June 2021 with 87.5% vesting overall. See page 94 for further details.

The 2021 financial year saw the introduction of the new LTAR award enabling greater alignment of executive interests with those of shareholders. The LTAR grants will be realised for the CEO in tranches over four and five years and four years for other Executives. The Board conducted a pre-grant assessment for the CEO and Executives to consider individual non-financial performance factors, the operating environment, and future outlook. The Board determined that all factors were satisfactorily met and no reduction was required to any individual LTAR grant allocation. Refer to pages 94 and 97 for more detail on the pre-grant assessment.

Remuneration outcomes reflect the strong performance of the Bank's leadership team against the backdrop of a challenging environment and ongoing support to our customers, our people and the communities we serve.

Culture, accountability and remuneration

The Board's focus on enhancing risk management and culture has continued to be a priority. Further enhancements to remuneration governance through clearer application of accountability and remuneration consequence has ensured that the remuneration framework appropriately responds to performance and risk scenarios. Further details on risk and remuneration consequences can be found on page 106.

We have made significant progress in implementing changes following the APRA Prudential Inquiry, recognised by APRA with the operational risk capital overlay having been reduced by 50% or $500 million. All Remedial Action Plan milestones have been delivered as of 30 June 2021 as we move into a period of transition and sustainability.

The Board would also like to acknowledge the final Sedgwick Review into product sales commissions and product-based payments in retail banking in Australia and the role these recommendations have played as a catalyst for positive industry change in support of better customer outcomes. As a Group we remain committed to sustaining both the spirit and letter of the recommendations to continue to support and enhance our customer centric culture.

Future focus

While there will continue to be challenges and uncertainty in the year ahead, we are committed to ensuring that our performance and remuneration approach supports positive customer outcomes, fair and equitable outcomes for our people, and delivery of sustainable value creation for our shareholders.

The new CBA Enterprise Agreement will come into effect during the 2022 financial year, providing our people with a simpler and better agreement.

The Board will continue to monitor our performance and remuneration policy and frameworks to ensure they remain fit for purpose, support the Group's strategy, deliver on the intended design and meet or exceed evolving regulatory requirements.

I invite you to read the Remuneration Report and welcome your feedback.

Paul O'Malley

Paul O'Malley

People & Remuneration Committee Chairman

Our Executive remuneration framework

CBA has revised the 2021 financial year Executive remuneration framework to ensure that it continues to attract and retain exceptional talent, meets the spirit of the anticipated regulatory change, aligns with and delivers sustainable returns to our shareholders and is fit for purpose for the years ahead.

Change highlights, up to:

↓ 19%
Reduction in total maximum remuneration

↓ 35%
Reduction in maximum short-term remuneration

↓ 12%
Reduction in total cash opportunity

+3 years
Increase in length of CEO maximum holding period

Maximum STVR: reduced from 150% to 94% of fixed remuneration

Maximum LTAR and LTVR: reduced from 180% to 140% of fixed remuneration

Current 2021

Fixed Remuneration (FR)

Purpose
Provides market competitive remuneration to attract and retain high quality talent while reflecting role scope and accountabilities.

Description
Base remuneration and superannuation, reviewed annually against relevant comparator group remuneration benchmarks.

For further information please see page 95.

Mix

FR: 30%	STVR	LTAR	LTVR

CEO
Cash 100%: Year 1

Group Executives and CEO ASB
Cash 100%: Year 1

Short-Term Variable Remuneration (STVR)

Purpose
Varies remuneration outcomes in line with annual performance achievement, with a balanced focus on customer, leadership, strategy execution and shareholder measures.

Description
Target opportunity of 75% of FR with maximum opportunity of 94% of FR, based on balanced performance scorecard, risk scorecard and values assessment.

For further information please see page 95.

Mix

FR	CASH: 14%	SHARES: 14%	LTAR	LTVR

CEO
Cash 50%: Year 1
Deferred shares 25%: Year 2
25%: Year 3

Group Executives and CEO ASB
Cash 50%: Year 1
Deferred shares 25%: Year 2
25%: Year 3

Subject to in-year adjustments, malus and clawback. Refer to page 95.

Former 2020

Fixed Remuneration (FR)

Mix

CEO, Group Exec. & CEO ASB

23%	STVR	LTVR

Group CRO

28%	STVR	LTVR

CEO and all Executives
Cash 100%: Year 1

Short-Term Variable Remuneration (STVR)

Mix

CEO, Group Exec. & CEO ASB

FR	35%	LTVR

Group CRO

FR	31%	LTVR

CEO and all Executives
Cash 50%: Year 1
Deferred shares 25%: Year 2
25%: Year 3

Our remuneration principles

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

Mandatory shareholding requirements (MSR)

The CEO must accumulate CBA shares equal to 300% of FR, and Group Executives and the CEO ASB must accumulate shares equal to 200% of FR, over a five-year period from the date of their appointment to their respective roles, or from the date their FR increases by 15% or greater.

MSR was reviewed as part of the 2021 financial year Executive remuneration framework review. The Board determined that no change was required as the MSR continues to promote alignment with the interests of shareholders and support sustained long term value creation for the Group.

Further details on Executive shareholdings is provided on page 102.

MSR as proportion of FR

Group CEO	3x
Group Executive and CEO ASB	2x

Current 2021

Long-Term Alignment Remuneration (LTAR)

Purpose

Drives collective focus on value of CBA over time, and individual focus on leadership and strategy execution.

Description

Maximum opportunity of 70% of FR (subject to pre-grant assessment and restriction period) which considers future financial factors and individual non-financial performance of leadership and strategy execution.

For further information please see page 96.

Mix

FR	STVR	LTAR: 21%	LTVR

CEO

Restricted share units

50%	50%
Year 4	Year 5

Group Executives and CEO ASB

Restricted share units

100%
Year 4

Long-Term Variable Remuneration (LTVR)

Purpose

Varies remuneration outcomes in line with longer-term performance achievement, with a focus on relative shareholder returns to support creation of sustainable long-term shareholder value.

Description

Maximum opportunity of 70% of FR. Assessed on relative TSR, measured against two equally-weighted comparator groups: general ASX 20 peer group and financial services peer group, subject to holding period after four-year performance period.

For further information please see page 98.

Mix

FR	STVR	LTAR	LTVR: 21%

CEO

Performance Rights

50%	50%
Year 6	Year 7

Group Executives and CEO ASB

Performance rights

50%	50%
Year 5	Year 6

Subject to malus and clawback. Refer to pages 96 and 98.

Former 2020

LTAR

Not applicable

LTAR introduced in the 2021 financial year.

LTVR

Mix

CEO, Group Exec. & CEO ASB

FR	STVR	42%

Group CRO

FR	STVR	41%

CEO and all Executives

Rights

100%
Year 4

Remuneration governance

CBA's remuneration governance framework

CBA Board

Board Committees

Concurrent meetings are held to determine CEO and Group Executive risk, performance and remuneration outcomes.

People & Remuneration Committee

Oversees CBA's remuneration framework and assists the Board to ensure the Group's remuneration strategy and policy are appropriate and effective.

Risk & Compliance Committee

Advises the People & Remuneration Committee of material risk matters which may impact collective and/or individual remuneration outcomes.

Audit Committee

Assesses and advises the People & Remuneration Committee of any audit matters which may impact collective and/or individual remuneration outcomes.

Nominations Committee

Considers and reviews matters relevant to evaluating the performance of the CEO and reports the evaluation to the People & Remuneration Committee and the Board.

Risk & Remuneration Review Committee

Management committee that advises the Group CRO on material risk matters including any that may impact remuneration outcomes for Executive General Managers and below levels.

Independent Remuneration Consultant

The People & Remuneration Committee may engage external advisors to provide information to assist the Committee in making remuneration decisions.

People & Remuneration Committee and Board oversight

The People & Remuneration Committee is the governing body for developing, monitoring and assessing remuneration strategy, policies and practices across CBA on behalf of the Board, ensuring that these areas are appropriate and effective. The role of the People & Remuneration Committee is to review, challenge, assess and, as appropriate, endorse the recommendations made by management for Board approval. The Board reviews, challenges, applies judgement and, as appropriate, approves the People & Remuneration Committee's recommendations.

The People & Remuneration Committee met formally six times during the 2021 financial year with the following members (as at 30 June 2021): Paul O'Malley (Chairman), Catherine Livingstone AO, Mary Padbury and Genevieve Bell AO.

The responsibilities of the People & Remuneration Committee are outlined in its Charter and reviewed annually.

+ **The Charter is available at commbank.com.au/peopleandremuneration**

As part of the performance and risk review, and to support the determination of remuneration outcomes for the CEO and Group Executives, the People & Remuneration Committee met concurrently with the Risk & Compliance, Audit, and Nominations Committees in February and June 2021. These concurrent meetings provided an opportunity for the Committees to review and discuss relevant risk and audit matters that may warrant consideration in the People & Remuneration Committee's determination of remuneration outcomes, including any in-year or malus adjustments for the CEO and Group Executives (including former Group Executives) and the determination of the Group-wide STVR pool.

Information provided to the concurrent meetings supports determinations of collective and/or individual remuneration impacts and includes risk scorecards for the CEO and Group Executives, details of material risk matters, outcomes of internal audit reviews conducted during the year, and consideration of the quality of CBA's financial results.

The Risk & Remuneration Review Committee, a management Committee that advises the Group CRO, oversees assessment of accountability for material risk matters, including those impacting CBA's reputation, and application of remuneration adjustments as appropriate for Executive General Managers and below levels.

External advisors

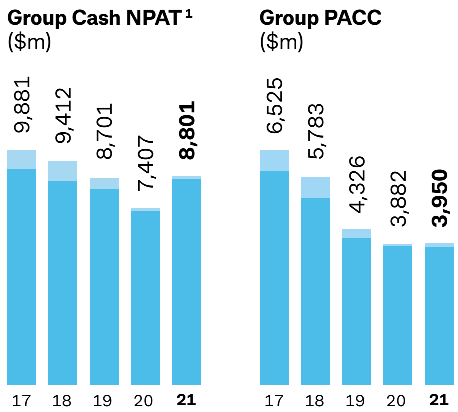
During the 2021 financial year, external advisors were engaged by management to provide information to the People & Remuneration Committee to assist with making remuneration decisions. The People & Remuneration Committee did not seek or receive any remuneration recommendations from external advisors in the 2021 financial year.

Group financial performance

Remuneration outcomes reflect short and long-term performance

The graphs and table below illustrate the relationship between Executive remuneration outcomes and the Group's financial performance over the past five financial years (including the 2021 financial year).

STVR scorecard measure

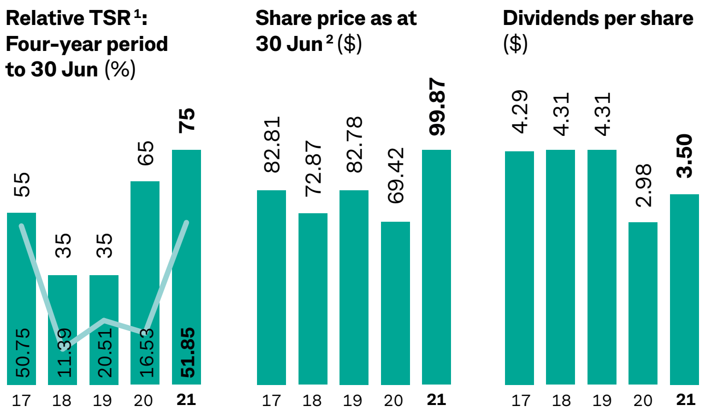


Continuing Cash NPAT and PACC

Discontinued Cash NPAT and PACC

1 Restated as disclosed in Note 1.1 in the financial statements.

LTVR TSR measure



Percentile ranking — TSR %

1 Percentile ranking relative to TSR ASX peer group.

2 CBA opening share price 1 July 2016 was $74.29.

Remuneration outcomes	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21
STVR outcome (average % of maximum)	0%[1]	19%[2]	44%	60%	85%[3]
LTVR vesting outcome (% of maximum)	67%	24%	24%	84%	87.5%

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

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

3 Maximum STVR reduced from 150% to 125% of target for 2021 financial year impacting year-on-year comparisons of STVR outcome as a % of maximum.

Remuneration outcomes snapshot

CEO remuneration

Fixed Remuneration[1]

FR increase **4.5%**

Short-Term Variable Remuneration

STVR % of maximum **87%**

Total remuneration received **$5.2m**

Group Executive and CEO ASB remuneration

FR average increase[2] **5.1%**

STVR % of maximum **76%** to **90%**

Long-Term Alignment Remuneration

100% of LTAR was granted following the pre-grant assessment and will not be realised until 30 June 2024

Long-Term Variable Remuneration

FY18 LTVR which reached the end of its performance period on 30 June 2021 — **87.5%** of the award vested

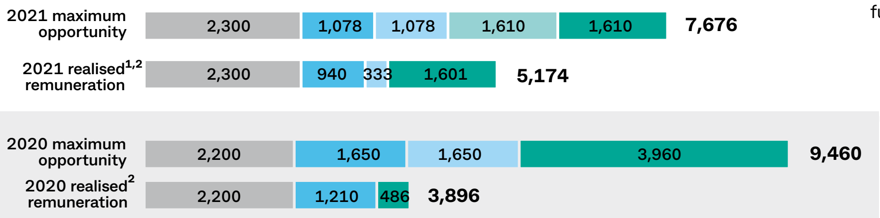
1 In combination with the reduced total remuneration opportunity and rebalanced pay-mix under the current Executive remuneration framework, an increase of up to 4.5% in fixed remuneration has been applied to the CEO and most Executives.

2 Also reflects market-related adjustments.

Executive KMP realised remuneration snapshot

Key Management Personnel (KMP) are defined as persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity. The Executive KMP realised remuneration snapshot provides a comparison of the core remuneration received by Executives under the current (2021) and former (2020) Executive remuneration framework. This differs to the statutory remuneration

Matt Comyn Managing Director and Chief Executive Officer ($000)



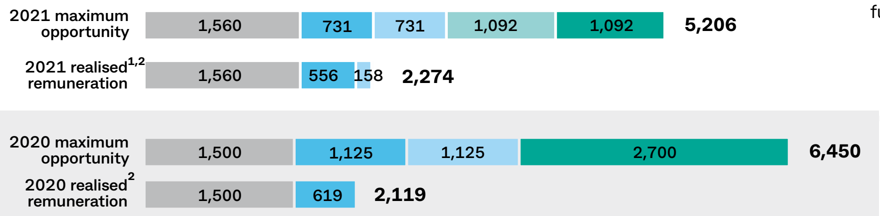
Term as KMP: full year

Progress of minimum shareholding requirement
Meets

325%
Current shareholding

300%
Shareholding requirement

Pascal Boillat Group Executive, Enterprise Services and Chief Information Officer ($000)



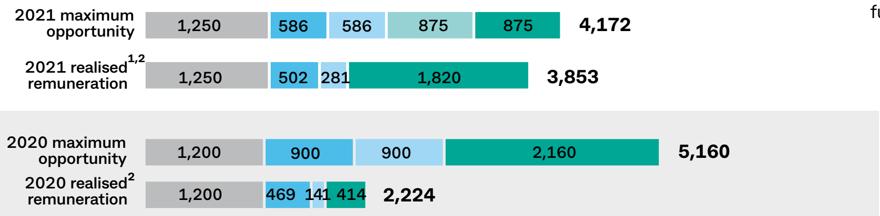
Term as KMP: full year

Progress of minimum shareholding requirement
Meets

297%
Current shareholding

200%
Shareholding requirement

David Cohen Deputy Chief Executive Officer ($000)



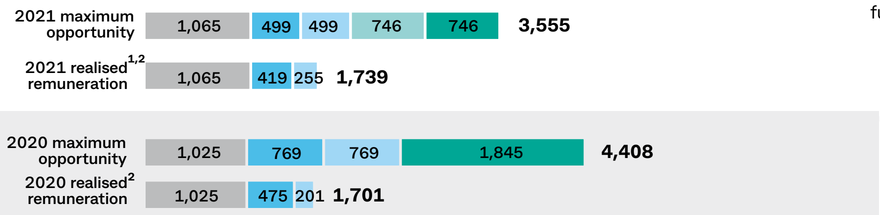
Term as KMP: full year

Progress of minimum shareholding requirement
Meets

420%
Current shareholding

200%
Shareholding requirement

Alan Docherty Group Executive, Financial Services and Chief Financial Officer ($000)



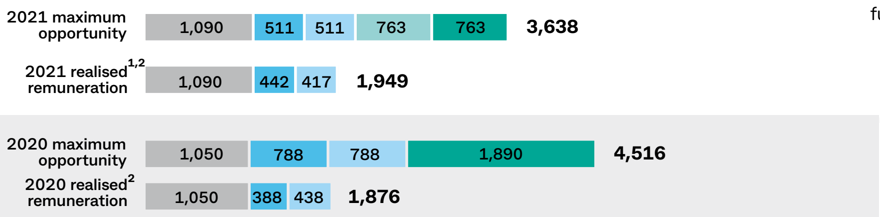
Term as KMP: full year

Progress of minimum shareholding requirement
Meets

210%
Current shareholding

200%
Shareholding requirement

Andrew Hinchliff Group Executive, Institutional Banking and Markets ($000)



Term as KMP: full year

Progress of minimum shareholding requirement
Meets

245%
Current shareholding

200%
Shareholding requirement

Key FR STVR – Cash STVR – Deferred LTAR LTVR

1 Both 2021 and 2020 refer to relevant financial year, and include fixed remuneration received, STVR cash portion paid, and equity awards which have vested during the year, including deferred STVR and LTVR awards. 2 Prior year vested awards exclude sign-on awards.

table on pages 100 and 101, which presents remuneration in accordance with accounting standards (i.e. on an accruals basis). It is prepared in accordance with the basis of preparation noted on page 92, excluding sign-on awards. All remuneration presented in this report is in Australian dollars.

Sian Lewis Group Executive, Human Resources ($000)

Term as KMP: full year

	FR	STVR – Cash	STVR – Deferred	LTAR	LTVR	Total
2021 maximum opportunity	885	415	415	620	620	2,955
2021 realised[1,2] remuneration	885	352	248			1,485
2020 maximum opportunity	850	638	638		1,530	3,656
2020 realised[2] remuneration	850	381	214			1,445

Progress of minimum shareholding requirement
Meets

210%
Current shareholding

200%
Shareholding requirement

Vittoria Shortt Chief Executive Officer, ASB ($000)

Term as KMP: full year

	FR	STVR – Cash	STVR – Deferred	LTAR	LTVR	Total
2021 maximum opportunity	996	467	467	697	697	3,324
2021 realised[1,2] remuneration	996	396	179		1,307	2,878
2020 maximum opportunity	977	733	733		1,758	4,201
2020 realised[2] remuneration	977	385	201		389	1,952

Progress of minimum shareholding requirement
Meets

480%
Current shareholding

200%
Shareholding requirement

Angus Sullivan Group Executive, Retail Banking Services ($000)

Term as KMP: full year

	FR	STVR – Cash	STVR – Deferred	LTAR	LTVR	Total
2021 maximum opportunity	1,300	609	609	910	910	4,338
2021 realised[1,2] remuneration	1,300	536	306			2,142
2020 maximum opportunity	1,100	825	825		1,980	4,730
2020 realised[2] remuneration	1,100	626	257			1,983

Progress of minimum shareholding requirement
Meets

214%
Current shareholding

200%
Shareholding requirement

Mike Vacy-Lyle Group Executive, Business Banking ($000)

Term as KMP: full year

	FR	STVR – Cash	STVR – Deferred	LTAR	LTVR	Total
2021 maximum opportunity	1,145	537	537	802	802	3,823
2021 realised[1,2] remuneration	1,145	483				1,628
2020 maximum opportunity	1,100	825	825		1,980	4,730
2020 realised[2,3] remuneration	457	210				667

Progress of minimum shareholding requirement
Meets

218%
Current shareholding

200%
Shareholding requirement

Nigel Williams Group Chief Risk Officer ($000)

Term as KMP: full year

	FR	STVR – Cash	STVR – Deferred	LTAR	LTVR	Total
2021 maximum opportunity	1,450	680	680	1,015	1,015	4,840
2021 realised[1,2] remuneration	1,450	547	123			2,120
2020 maximum opportunity	1,450	816	816		2,175	5,257
2020 realised[2] remuneration	1,450	545				1,995

Progress of minimum shareholding requirement
Meets

332%
Current shareholding

200%
Shareholding requirement

Key FR STVR – Cash STVR – Deferred LTAR LTVR

1 Both 2021 and 2020 refer to relevant financial year, and include fixed remuneration received, STVR cash portion paid, and equity awards which have vested during the year, including deferred STVR and LTVR awards. 2 Prior year vested awards exclude sign-on awards. 3 2020 FR reflects time in role as KMP.

Remuneration report (continued)

Remuneration received during the year by Executives

The remuneration outcomes table below provides a summary of the remuneration that was received by the current Executives in their KMP roles during the financial year ended 30 June 2021. Presenting this information provides shareholders with greater clarity and transparency of Executive remuneration. It complements the statutory remuneration table on pages 100 and 101, which presents remuneration in accordance with accounting standards (i.e. on an accruals basis), and instead is prepared in accordance with the basis of preparation noted below. All remuneration presented in this report is in Australian dollars.

		FR a	Cash STVR b	Other cash remuneration c	Total cash payments d = a + b + c	Deferred equity awards[1] e	Total remuneration received f = d + e	Previous years' awards forfeited or lapsed g
CEO								
Matt Comyn	**30 Jun 21**	**2,300,000**	**940,125**	**–**	**3,240,125**	**1,933,851**	**5,173,976**	**(258,688)**
	30 Jun 20	2,200,000	1,210,000	–	3,410,000	486,243	3,896,243	(1,307,409)
Group Executives and CEO ASB								
Pascal Boillat	**30 Jun 21**	**1,560,000**	**555,458**	**–**	**2,115,458**	**1,317,261**	**3,432,719**	**–**
	30 Jun 20	1,500,000	618,954	–	2,118,954	1,149,354	3,268,308	–
David Cohen	**30 Jun 21**	**1,250,000**	**501,563**	**–**	**1,751,563**	**2,100,734**	**3,852,297**	**(293,987)**
	30 Jun 20	1,200,000	469,243	–	1,669,243	555,783	2,225,026	(1,114,563)
Alan Docherty	**30 Jun 21**	**1,065,000**	**419,344**	**–**	**1,484,344**	**254,786**	**1,739,130**	**–**
	30 Jun 20	1,025,000	475,072	–	1,500,072	200,884	1,700,956	–
Andrew Hinchliff	**30 Jun 21**	**1,090,000**	**442,241**	**–**	**1,532,241**	**416,902**	**1,949,143**	**–**
	30 Jun 20	1,050,000	388,229	–	1,438,229	437,897	1,876,126	–
Sian Lewis	**30 Jun 21**	**885,000**	**351,788**	**–**	**1,236,788**	**247,902**	**1,484,690**	**–**
	30 Jun 20	850,000	381,212	–	1,231,212	214,437	1,445,649	–
Vittoria Shortt[2]	**30 Jun 21**	**996,108**	**395,953**	**–**	**1,392,061**	**1,485,914**	**2,877,975**	**(211,207)**
	30 Jun 20	976,834	385,239	–	1,362,073	589,998	1,952,071	(1,046,457)
Angus Sullivan	**30 Jun 21**	**1,300,000**	**536,250**	**–**	**1,836,250**	**305,625**	**2,141,875**	**–**
	30 Jun 20	1,100,000	625,826	–	1,725,826	256,709	1,982,535	–
Mike Vacy-Lyle[3]	**30 Jun 21**	**1,145,000**	**483,047**	**–**	**1,628,047**	**719,279**	**2,347,326**	**–**
	30 Jun 20	456,831	209,882	153,435	820,148	–	820,148	–
Nigel Williams	**30 Jun 21**	**1,450,000**	**546,469**	**–**	**1,996,469**	**797,143**	**2,793,612**	**–**
	30 Jun 20	1,450,000	545,381	–	1,995,381	1,069,362	3,064,743	–

1 Deferred equity awards: This reflects the portions of the 2017 financial year LTVR award (performance period ended 30 June 2020), and the 2017 and 2018 financial year deferred STVR awarded under Executive General Manager arrangements, and 2019 financial year deferred STVR awarded to Executives that vested in the 2021 financial year. For Pascal Boillat, Mike Vacy-Lyle and Nigel Williams, this also represents the portion of their sign-on awards that vested in the 2021 financial year.

2 Vittoria Shortt: has an additional payment of $11,879 of KiwiSaver payable on her cash STVR component.

3 Mike Vacy-Lyle was appointed as KMP effective 31 January 2020, therefore prior year comparison reflects time in KMP role.

Basis of preparation

Cash payments	(a)	**FR:** Base remuneration plus superannuation (for the CEO ASB, contributions are made in line with the KiwiSaver employer contribution requirements) paid for the period as KMP.
	(b)	**Cash STVR:** 50% of the 2021 financial year STVR (relates to performance during the 12 months to 30 June 2021). For 2020: 50% of the 2020 financial year STVR (relates to performance during the 12 months to 30 June 2020).
	(c)	**Other cash remuneration:** Includes cash components of sign-on awards received during the relevant financial year.
Vesting of prior year awards	(e)	**Deferred equity awards:** The value of all equity awards (deferred STVR and LTVR awards) that vested during the period as KMP plus any dividends accrued during the deferral period. The value shown is based on the volume weighted average closing price (VWACP) of the Group's ordinary shares over the five trading days preceding the vesting date.
Awards forfeited or lapsed	(g)	**Previous years' awards forfeited or lapsed:** The value of all unvested deferred equity awards that were forfeited or lapsed during the 2021 financial year as the performance, risk and reputation conditions were not met. The value shown is based on VWACP of the Group's ordinary shares over the five trading days preceding the date of forfeiture or lapse.

1. Variable remuneration outcomes for the financial year ended 30 June 2021

CEO performance scorecard and short-term variable remuneration (STVR) outcomes

Reflective of strong Group financial and non-financial performance, the CEO's 2021 financial year STVR outcome is: **87% of maximum**.

Measure, rationale and commentary	Weight	Scorecard result: Threshold 50%	Scorecard result: Target 100%	Scorecard result: Above Expectations 125%	% of STVR maximum
Shareholder Strong operating performance with volume growth in home lending, business lending and deposits well above system. Balance sheet settings remain strong with capital levels providing flexibility to continue to support the economy and lending growth. Disciplined execution of strategy and strong operational performance has seen the Group significantly outperform peers and FY21 plan. • Group cash NPAT – above expectations (Actual: $8,801 million).	15%	7,026	7,562	8,098	15%
• Group underlying PACC – above expectations (Actual: $3,950 million).	15%	2,217	2,490	2,763	15%
Customer NPS outcomes for consumer, business and IB&M customers, with reference to complaints remediation: • Consumer, business and IB&M NPS ranked #2 or higher for majority of the 2021 financial year. • Progress made to address systemic challenges and underlying causes of customer complaints.	10%				8%
Leadership Group Leadership measure results (focus on talent and capability): • Strong employee engagement outcomes with advocacy and pride in the organisation remaining very high. • Evolved the Group's approach to understanding and assessing organisation culture (including risk culture) and anchoring culture priorities most critical to the execution of the Group Strategy. • Attracting and developing talent in critical roles, strong focus on building leadership and other critical capabilities.	10%				9%
Strategy Execution Strong and quality progress made on sustainable implementation and embedding of the APRA approved RAP: • All RAP milestones delivered.	20%				16%
Good progress on the delivery of Group strategic priorities: • Recognised industry leadership role in Australia's recovery, policy development and support for customers. • Reimagined key products and services, anticipating changing customer needs and connecting new services. • Strengthened innovation and focus on Digital Banking, the CommBank App and customer engagement engine.	30%				24%
Overall CEO performance scorecard outcome					87%

Risk and reputation assessment • Leadership of risk culture • Risk and Reputation: RepTrak Score	Fully met	No adjustment
Values assessment • Demonstrated all individual and leadership guidelines relating to the Group's refreshed Values • Continued industry leadership and personal demonstration of our refreshed values, including through our Coronavirus response	Exceptionally Demonstrated	No adjustment

Overall CEO STVR outcome 87%

Remuneration report (continued)

Executive short-term variable remuneration (STVR) performance outcomes

The following table provides the 2021 financial year STVR outcomes for Executives for the period they were KMP. The minimum potential outcome is zero.

	STVR maximum[1] $	STVR actual Total $	STVR actual Cash[2] $	STVR actual Deferred $	STVR actual as a % of STVR maximum[3, 4] %
CEO					
Matt Comyn	2,156,250	1,880,250	940,125	940,125	87%
Group Executives and CEO ASB					
Pascal Boillat	1,462,500	1,110,916	555,458	555,458	76%
David Cohen	1,171,875	1,003,126	501,563	501,563	86%
Alan Docherty	998,438	838,688	419,344	419,344	84%
Andrew Hinchliff	1,021,875	884,482	442,241	442,241	87%
Sian Lewis	829,688	703,576	351,788	351,788	85%
Vittoria Shortt	933,851	791,906	395,953	395,953	85%
Angus Sullivan	1,218,750	1,072,500	536,250	536,250	88%
Mike Vacy-Lyle	1,073,438	966,094	483,047	483,047	90%
Nigel Williams	1,359,375	1,092,938	546,469	546,469	80%

1 STVR maximum opportunity was reduced from 150% in 2020 financial year to 94% of fixed remuneration in 2021 financial year (from 112.5% to 94% for CRO).
2 Cash amounts will be paid in or around September 2021.
3 Maximum STVR reduced from 150% to 125% of target for 2021 financial year impacting year-on-year comparisons of STVR outcomes as a % of maximum.
4 The percentage of 2021 financial year STVR forfeited (as a % of STVR maximum): Matt Comyn 13%, Pascal Boillat 24%, David Cohen 14%, Alan Docherty 16%, Andrew Hinchliff 13%, Sian Lewis 15%, Vittoria Shortt 15%, Angus Sullivan 12%, Mike Vacy-Lyle 10%, Nigel Williams 20%.

Long-term alignment remuneration (LTAR) pre-grant assessment outcomes

The 2021 financial year LTAR award was granted at 100% of the award value. The CEO LTAR is subject to a four and five-year restriction period ending 30 June 2024 and 30 June 2025 respectively. Group Executives and CEO ASB LTAR is subject to a four-year restriction period ending 30 June 2024.

The following table outlines the pre-grant assessment.

Pre-grant assessment	Outcome
Forward-looking financial considerations	Met
Threshold level individual non-financial performance	Met
Board discretion to adjust grant value downwards	No adjustment required
Pre-grant assessment outcome	100%

Detailed information on the LTAR pre-grant assessment process is available on page 97.

Long-term variable remuneration (LTVR) performance outcomes

The 2018 financial year LTVR award reached the end of its four-year performance period on 30 June 2021 and vested at 87.5%, with 12.5% of the LTVR award lapsing. The positive TSR gateway was met for non-financial performance measures; CBA's absolute TSR for the four-year performance period to 30 June 2021 was 51.85%.

Performance measure	Percentage of award	Performance outcome	Vesting outcome
Relative TSR	75%	75th percentile ranking relative to TSR peer group	100%
Trust and Reputation[1]	12.5%	81.25st percentile ranking relative to the peer group	100%
Employee Engagement[2]	12.5%	0% vesting at Employee Engagement score of 79%	0%

1 Trust and Reputation is measured against the independent RepTrak® Pulse Score survey. The peer group is made up of the 16 largest consumer-facing ASX companies by market capitalisation (excluding resources companies, companies that do not have a base level of familiarity with the general public, companies that do not operate nationally and CBA).
2 Employee Engagement is measured via an employee survey conducted by an external provider and presented as an index. Employee Engagement is based on the proportion of employees responding that they 'Strongly Agree' or 'Agree' with the four questions relating to Satisfaction, Commitment, Advocacy and Pride (each of which is equally weighted).

2. Executive remuneration framework in detail

Fixed remuneration

Fixed remuneration (FR) comprises base remuneration (i.e. cash salary) and superannuation (KiwiSaver for the CEO ASB).

FR is delivered in accordance with contractual terms and conditions of employment. Executive fixed remuneration is reviewed annually against relevant comparator group remuneration benchmarks.

Short-term variable remuneration (STVR)

The table below outlines key features of the 2021 financial year STVR award for the Executives. Refer to page 105 for treatment of STVR on cessation of employment.

Features	Approach
Purpose	Varies remuneration outcomes in line with annual performance achievement, with a balanced focus on customer, leadership, strategy execution and shareholder measures, incorporating both risk scorecard and values assessments. Recognises both the "what" and the "how" of performance.
Participants	CEO and all Executives.
Opportunity	See table below.
Performance measures and weightings	Individual STVR outcomes are determined on the basis of Group (or ASB for the CEO ASB) performance and individual performance through a balanced scorecard. The performance measures comprise a mix of financial and non-financial metrics linked to Group and business unit targets, aligned to the Group's strategy. The weightings vary by role. More information on the CEO's STVR scorecard can be found on page 93. See table below.
Risk and values assessment	Performance outcomes determined through assessment of the balanced scorecard are subject to the following assessments (gate/modifiers): • **Risk and Reputation:** via the Executive risk scorecard[2] the Board[3] has the discretion to adjust Executive STVR outcomes, where appropriate. The Risk and Reputation modifier has been enhanced for 2021 financial year to include consideration of Trust and Reputation outcomes that may warrant an adjustment to the Risk and Reputation outcome. • **Values:** the Board[3] has the discretion to adjust Executive STVR outcomes where appropriate.
Calculation of awards	STVR awards for the CEO and all Executives are calculated as follows: see table below.
Deferral	50% of the STVR award is deferred and delivered in deferred shares that vest in equal tranches over one and two years. Deferred shares have rights to dividends declared during the deferral period. All deferred STVR awards are subject to applicable Board[3] risk and reputation review prior to vesting.

Opportunity:

	Target STVR	Maximum STVR
CEO and all Executives	75% of FR	94% of FR

Performance measures and weightings:

	Financial	Non-financial (including customer, leadership and strategy)[1]
CEO, Group Executives and CEO ASB (excluding Deputy CEO and Group CRO)	30%	70%
Deputy CEO	20%	80%
Group CRO	10%	90%

Calculation of awards:

Opportunity		Scorecard result	Risk and Reputation and Values assessment		Adjusted outcome
Fixed remuneration $	x Target STVR opportunity %	x Business performance result %[4]	x Risk and Reputation result[5]	x Values result	= Value of adjusted STVR award $

1 Strategic initiatives include 20% scorecard weighting required by APRA to be allocated to the delivery of the RAP.
2 Executive risk scorecard assessments include: risk culture and leadership; risk strategy/appetite; incidents and issues; and risk and control environment.
3 'Board' is to be read as ASB Board in respect of discretion for the CEO ASB's STVR outcomes.
4 The Board retains discretion to adjust scorecard outcomes.
5 Also subject to Risk and Reputation review.

Long-term alignment remuneration (LTAR)

The table below outlines key features of the 2021 financial year LTAR for the Executives. Refer to page 105 for treatment of LTAR on cessation of employment.

Features	Approach
Purpose	Drives collective focus on value of CBA over time, and individual focus on leadership and strategy execution.
Participants	CEO and all Executives.
Opportunity	Maximum opportunity of 70% of fixed remuneration (FR).
Restriction period	CEO: Subject to a four and five-year restriction period from 1 July 2020 to 30 June 2024 and 30 June 2025. Group Executives and CEO ASB: Subject to a four-year restriction period from 1 July 2020 to 30 June 2024.
Pre-grant assessment	The LTAR award value will be subject to a pre-grant assessment with downward adjustments applied to reflect material issues. The assessment considers future financial factors and individual non-financial performance of leadership and strategy execution using existing elements of the framework and operates in conjunction with malus and clawback.
Instrument	The LTAR award will be granted as restricted share units (RSUs). Each RSU entitles the participant to receive one CBA share (or cash equivalent as determined by the Board) subject to continuous service and a malus review prior to vesting.
Maximum face value allocation approach	The number of RSUs granted are calculated as follows for the Executives: FR $ (at time of grant) x 70% ÷ Share price $ (no discount applied) → Number of restricted share units The share price used was the volume weighted average price of CBA's ordinary shares over the five trading days up to 1 July 2020.
Dividends and/or Dividend equivalents	For every RSU that ultimately vests following the end of the restriction period, the Executive will receive a payment equal to dividends paid by CBA over the restriction period in relation to the vested restricted share units. Participants will not receive any franking credits or value in lieu of franking credits.
Board discretion	The Board has discretion to determine that some or all of the award will lapse in certain circumstances (malus), including where, in the opinion of the Board: • The vesting of restricted share units is not justified or supportable, having regard to the Executive's performance and/or conduct, the performance of the business unit or function (as relevant having regard to the participant's accountability or role), or the overall Group performance. • The vesting of restricted share units will impact on the financial soundness of the Group or a member of the Group. • The Group is required or entitled to reclaim remuneration or reduce an Executive's remuneration outcome under law, regulation or Group policy. • A significant unexpected or unintended consequence or outcome has occurred, including where original expected performance outcomes have not been realised. The Board also has discretion to require the recovery (i.e. clawback) of vested LTAR awards for serious and material matters as determined by the Board, including in relation to responsibility for financial losses, material misstatement of financial statements, or other criteria on which the LTAR grant or vesting was based, material breach of compliance obligations including in relation to misconduct risk, or failure of accountability or fitness and propriety.

LTAR – pre-grant assessment

The following diagram illustrates the LTAR pre-grant assessment process developed to support robust decision making when granting LTAR awards to Executives.

Step 1 | Step 2 | Step 3

Forward-looking financial considerations

Determine if any adjustments required as a result of forward-looking financial considerations.

- Non-formulaic trigger to Board discretion
- Likely to impact all participants

Elements for consideration

Key financial metrics are used to formulate the forward-looking financial assessment for the LTAR award, and may include, but are not limited to, share price, dividend forecast, capital and other shareholder measures as set out in the CEO scorecard (refer to page 93).

Assessment outcomes	Impact
If no issues identified	No adjustment
If potential issues identified	Consider whether LTAR grant should be adjusted downwards

Step 1 | **Step 2** | Step 3

Threshold level individual non-financial performance

Determine if adjustments required as a result of individual contribution to non-financial performance outcomes.

- Formulaic trigger to consider if Board discretion is warranted
- Review on an individual level

Elements for consideration

- Leadership performance outcome for prior years STVR scorecard
- Strategy Execution performance outcome for STVR scorecards in prior years
- Thresholds set based on historical analysis, with a view to only triggering discretionary overlay where outcomes are poor

STVR scorecard outcome for Leadership or Strategy category (non-financial)	Impact
Outcome >70% of Target	No adjustment
Outcome between 50% and 70% of Target	Consider whether LTAR grant should be adjusted downwards by up to 20%
Outcome <50% of Target (i.e. Below Threshold)	Consider whether LTAR grant should be made

Step 1 | Step 2 | **Step 3**

Board discretion to adjust grant value downwards based on Steps 1 and 2

Board to undertake assessment and apply judgement based on Steps 1 and 2.

- Non-formulaic Board determination
- May apply to select or all participants

Elements for consideration

Non-exhaustive list of issues for Board consideration and application of discretion may include:

- Broader assessment of non-financial performance not captured by STVR scorecard triggers
- Relevant context for prior year performance
- Historical and potential future performance
- Whether performance outcome is already appropriately impacting other elements of remuneration (e.g. STVR and LTVR)

Remuneration report (continued)

Long-term variable remuneration (LTVR)

The table below outlines key features of the 2021 financial year LTVR for the Executives. Refer to page 105 for treatment of LTVR on cessation of employment.

<table>
<tr><th>Features</th><th>Approach</th></tr>
<tr><td>Purpose</td><td>Varies remuneration outcome in line with longer-term performance achievement, with a focus on relative shareholder returns to support creation of sustainable long-term shareholder value.</td></tr>
<tr><td>Participants</td><td>CEO and all Executives.</td></tr>
<tr><td>Opportunity</td><td>The maximum face value of LTVR that can be granted for the Executives is 70% of fixed remuneration (FR). The minimum potential outcome value is zero.</td></tr>
<tr><td>Performance period</td><td>Subject to relative TSR performance over four years from 1 July 2020 to 30 June 2024.</td></tr>
<tr><td>Holding period</td><td>CEO: 50% of performance rights remaining on foot after performance testing will be subject to a further two-year holding period, and the remaining 50% subject to a three-year holding period (to 30 June 2026 and 30 June 2027 respectively).

Group Executives and CEO ASB: 50% of performance rights remaining on foot after performance testing will be subject to a further one-year holding period, and remaining 50% subject to a two-year holding period (to 30 June 2025 and 30 June 2026 respectively).</td></tr>
<tr><td>Performance measures and weightings</td><td><table><tr><th></th><th>Relative TSR (ASX general peer group)</th><th>Relative TSR (Financial Services peer group)</th></tr><tr><td>All Executives</td><td>50%</td><td>50%</td></tr></table></td></tr>
<tr><td>Instrument</td><td>Performance rights – each right entitles the participant to receive one CBA share (or cash equivalent at the Board's discretion), subject to vesting conditions.</td></tr>
<tr><td>Maximum face value allocation approach</td><td>The number of performance rights granted to Executives is calculated as follows:

FR $ (at time of grant) x 70% ÷ Share price $ (no discount applied) → Number of performance rights

The share price used was the volume weighted average price of CBA's ordinary shares over the five trading days up to 1 July 2020.</td></tr>
<tr><td>Board discretion</td><td>The Board has discretion to determine that some or all of the award will lapse in certain circumstances (malus), including where, in the opinion of the Board:
• The vesting of rights is not justified or supportable, having regard to the participant's performance and/or conduct, the performance of the business unit or function (as relevant having regard to the participant's accountability or role), or the overall Group performance.
• The vesting of rights will impact on the financial soundness of the Group or a member of the Group.
• The Group is required or entitled to reclaim remuneration or reduce an Executive's remuneration outcome under law, regulation or Group policy.
• A significant unexpected or unintended consequence or outcome has occurred, including where original expected performance outcomes have not been realised.

The Board also has discretion to require the recovery (i.e. clawback) of vested LTVR awards for serious and material matters as determined by the Board, including in relation to responsibility for financial losses, material misstatement of financial statements, or other criteria on which the LTVR grant or vesting was based, material breach of compliance obligations including in relation to misconduct risk, or failure of accountability or fitness and propriety.</td></tr>
</table>

Performance measures	Approach
Relative TSR • TSR measures share price movement, dividends paid and any return of capital over a specific period. • Relative TSR compares the ranking of CBA's TSR over the performance period with the TSR of other companies in a peer group.	See below

Vesting framework

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

Calculation of results

Each company in the peer group will be given a percentile ranking based on the growth in its TSR over the four-year performance period. TSR outcomes are calculated by an independent provider.

TSR relative to a general ASX peer group

- The peer group is made up of the 20 largest companies on the ASX by market capitalisation at the beginning of the performance period, excluding resources companies and CBA. This cross-industry peer group has been chosen as it represents the typical portfolio of companies in which CBA's shareholders invest, and so provides relevant benchmarks for measuring against CBA's TSR.
- The peer group at the beginning of the performance period for the relative TSR performance hurdle comprised (in alphabetic order):
  - Afterpay Limited
  - Amcor Limited
  - APA Group
  - Aristocrat Leisure Limited
  - ASX Limited
  - Australia and New Zealand Banking Group Limited
  - Brambles Limited
  - Coles Group Limited
  - CSL Limited
  - Goodman Group
  - Insurance Australia Group Limited
  - Macquarie Group Limited
  - National Australia Bank Limited
  - Sonic Healthcare Limited
  - Telstra Corporation Limited
  - The A2 Milk Company Limited
  - Transurban Group
  - Wesfarmers Limited
  - Westpac Banking Corporation
  - Woolworths Group Limited

A reserve bench company will be substituted (in order of market capitalisation as at the beginning of the performance period) into the peer group when a peer group company ceases to be listed on the ASX as a result of an acquisition, merger or other relevant corporate action or delisting. The reserve bench (in order of market capitalisation) comprised: QBE Insurance Group Limited, Sydney Airport, Cochlear Limited, James Hardie Industries PLC, and Ramsay Health Care Limited.

TSR relative to a financial services peer group

- The peer group is made up of the eight most comparable financial services companies listed on the ASX at the beginning of the performance period.
- The financial services peer group at the beginning of the performance period for the relative TSR performance hurdle comprised:
  - AMP Limited
  - Australia and New Zealand Banking Group Limited
  - Bank of Queensland Limited
  - Bendigo and Adelaide Bank Limited
  - Macquarie Group Limited
  - National Australia Bank Limited
  - Suncorp Group Limited
  - Westpac Banking Corporation

There is no reserve bench for this peer group.

3. Executive statutory remuneration

Executive statutory remuneration accounting expense

The following statutory table details the statutory accounting expense of all remuneration-related items for the Group's Executives. This includes remuneration costs in relation to both the 2020 and 2021 financial years. The table is different from the remuneration outcomes table on page 92, which shows the remuneration received in the 2021 financial year rather than the accrual accounting amounts determined in accordance with the Australian Accounting Standards. The table has been developed and audited against the relevant Australian Accounting Standards. Refer to the footnotes below the table for more detail on each remuneration component.

		Fixed remuneration[1]		Other short-term benefits		
		Base remuneration[2] $	Superannuation $	Non-monetary[3] $	Cash STVR (at risk)[4] $	Other[5] $
CEO						
Matt Comyn	**30 Jun 21**	**2,278,306**	**21,694**	**67,584**	**940,125**	**92,214**
	30 Jun 20	2,178,997	21,003	69,183	1,210,000	14,813
Group Executives and CEO ASB						
Pascal Boillat	**30 Jun 21**	**1,538,306**	**21,694**	**16,107**	**555,458**	**701,464**
	30 Jun 20	1,478,997	21,003	15,602	618,954	465,610
David Cohen	**30 Jun 21**	**1,228,306**	**21,694**	**17,878**	**501,563**	**29,080**
	30 Jun 20	1,178,997	21,003	17,399	469,243	(8,972)
Alan Docherty	**30 Jun 21**	**1,043,306**	**21,694**	**17,878**	**419,344**	**(4,049)**
	30 Jun 20	1,003,997	21,003	17,399	475,072	32,977
Andrew Hinchliff	**30 Jun 21**	**1,068,306**	**21,694**	**17,878**	**442,241**	**(21,428)**
	30 Jun 20	1,028,997	21,003	17,399	388,229	28,399
Sian Lewis	**30 Jun 21**	**863,306**	**21,694**	**16,668**	**351,788**	**(1,050)**
	30 Jun 20	828,997	21,003	17,399	381,212	11,318
Vittoria Shortt[6]	**30 Jun 21**	**967,095**	**46,369**	**10,356**	**395,953**	**31,180**
	30 Jun 20	948,383	46,872	10,293	385,239	19,784
Angus Sullivan	**30 Jun 21**	**1,278,306**	**21,694**	**9,633**	**536,250**	**59,321**
	30 Jun 20	1,078,997	21,003	15,602	625,826	(6,877)
Mike Vacy-Lyle	**30 Jun 21**	**1,123,306**	**21,694**	**16,818**	**483,047**	**31,227**
	30 Jun 20	448,108	8,722	7,323	209,882	348,955
Nigel Williams	**30 Jun 21**	**1,428,306**	**21,694**	**17,878**	**546,469**	**7,157**
	30 Jun 20	1,428,997	21,003	17,399	545,381	29,467

1 FR comprises base remuneration and superannuation (post-employment benefit). Superannuation contributions for Vittoria Shortt are made in line with the KiwiSaver employer contribution requirements (this includes the additional payment of $17,356 payable on her cash STVR component and deferred awards).

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

3 Cost of car parking (including associated fringe benefits tax). For Matt Comyn, this also includes costs in relation to a motor vehicle benefit and includes an adjustment to 2020 financial year.

4 KiwiSaver is payable on the CEO ASB's cash STVR.

5 Includes company-funded benefits (including associated fringe benefits tax where applicable) and the net change in accrued annual leave. For Pascal Boillat and Mike Vacy-Lyle, 2020 financial year figures have been restated due to change in FBT reporting methodology. For Pascal Boillat, this also includes costs in relation to a housing allowance.

6 For Vittoria Shortt, remuneration was paid in New Zealand dollars. The value shown was impacted by movements in exchange rates.

Long-term benefits	Share-based payments					
Long-term[7] $	Deferred STVR (at risk)[8] $	Deferred equity (at risk)[9] $	LTVR equity (at risk)[10,11] $	LTAR equity (at risk) $	Termination benefits $	Total statutory remuneration[12] $
147,538	**-**	**982,474**	**1,371,573**	**392,142**	**-**	**6,293,650**
105,112	-	760,811	1,712,600	-	-	6,072,519
26,892	**-**	**1,603,723**	**802,659**	**295,523**	**-**	**5,561,826**
12,734	-	2,015,850	674,474	-	-	5,303,224
47,510	**-**	**452,590**	**879,940**	**236,798**	**-**	**3,415,359**
29,463	-	369,061	1,366,431	-	-	3,442,625
41,994	**-**	**429,009**	**548,407**	**201,746**	**-**	**2,719,329**
24,098	-	364,350	460,907	-	-	2,399,803
42,404	**-**	**433,827**	**539,725**	**206,477**	**-**	**2,751,124**
26,824	-	410,344	454,652	-	-	2,375,847
39,667	**-**	**358,975**	**440,940**	**167,644**	**-**	**2,259,632**
24,296	-	314,780	372,006	-	-	1,971,011
29,463	**-**	**467,707**	**347,705**	**192,229**	**-**	**2,488,057**
29,377	-	362,698	212,062	-	-	2,014,708
107,519	**-**	**542,108**	**576,967**	**246,260**	**-**	**3,378,058**
48,782	-	445,926	474,707	-	-	2,703,966
12,262	**-**	**1,179,376**	**413,068**	**216,907**	**-**	**3,497,705**
2,202	-	868,340	154,075	-	-	2,047,607
22,543	**-**	**643,359**	**671,724**	**274,682**	**-**	**3,633,812**
12,035	-	996,047	546,205	-	-	3,596,534

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

8 Portion of the financial year STVR outcome deferred into cash, generally for former Executives.

9 The value of deferred equity awards are allocated from the start of the performance period to vesting date. The comparative period amounts have been restated to conform to the current year presentation. In prior periods the awards were allocated over the period from grant date to vesting date.

10 2021 financial year expense for the 2017, 2018, 2019, 2020 and 2021 financial year LTVR awards. 2021 financial year expense for deferred STVR awards and sign-on awards received as deferred rights and/or shares in prior years. These equity awards are subject to forfeiture if the Executive is dismissed or ceases to be employed by the Group as a result of resignation prior to the vesting date. Deferred 2021 financial year STVR will be expensed over the vesting period commencing 1 July 2020.

11 The value of LTVR awards are allocated over each year in the performance period. Comparative period amounts have been restated to conform to the current year presentation. In prior periods the awards were allocated over the period from grant date to vesting date.

12 The percentage of 2021 financial year remuneration related to performance was: Matt Comyn 59%, Pascal Boillat 59%, David Cohen 61%, Alan Docherty 59%, Andrew Hinchliff 59%, Sian Lewis 58%, Vittoria Shortt 56%, Angus Sullivan 56%, Mike Vacy-Lyle 66%, Nigel Williams 59%.

Remuneration report (continued)

Movement in Executive shares and other securities during the 2021 financial year

The table below details the value and number of all equity awards that were granted or vested to or forfeited by Executives during their time in a KMP role in the 2021 financial year. It also shows the number of previous years' awards that vested and the movement in ordinary shareholdings for each individual during the 2021 financial year.

		Balance 1 Jul 20	Acquired/granted as remuneration during the 2021 financial year[2]		Awards vested during 2021 financial year[3]		Net change other[4]	Balance 30 Jun 21
	Equity Class[1]	Units	Units	$	Units	$	Units	Units
CEO								
Matt Comyn	Ordinary	60,633	–	–	23,363	–	(22,000)	61,996
	Deferred STVR shares	9,599	17,441	1,210,086	4,799	332,963	–	22,241
	LTAR restricted share units	–	23,394	1,742,853	–	–	–	23,394
	LTVR performance rights	147,371	23,394	906,634	18,564	1,600,888	(3,525)	148,676
Group Executives and CEO ASB								
Pascal Boillat	Ordinary	5,000	–	–	16,324	–	(21,272)	52
	Deferred STVR shares	4,544	8,922	619,024	2,272	157,635	–	11,194
	LTAR restricted share units	–	15,867	1,182,092	–	–	–	15,867
	LTVR performance rights	69,764	15,866	614,887	–	–	–	85,630
	Sign-on equity	53,729	–	–	14,052	1,159,626	–	39,677
David Cohen	Ordinary	44,011	–	–	25,152	–	(15,316)	53,847
	Deferred STVR shares	6,287	6,764	469,298	4,051	281,065	–	9,000
	LTAR restricted share units	–	12,714	947,193	–	–	–	12,714
	LTVR performance rights	107,014	12,714	492,731	21,101	1,819,669	(4,006)	94,621
Alan Docherty	Ordinary	7,828	–	–	3,585	–	345	11,758
	Deferred STVR shares	5,571	6,848	475,126	2,785	193,228	–	9,634
	Deferred STVR rights	800	–	–	800	61,558	–	–
	LTAR restricted share units	–	10,832	806,984	–	–	–	10,832
	LTVR performance rights	47,673	10,832	419,794	–	–	–	58,505
Andrew Hinchliff[5]	Ordinary	11,701	–	–	5,830	–	–	17,531
	Deferred STVR shares	8,381	5,596	388,260	4,190	290,709	–	9,787
	Deferred STVR rights	1,640	–	–	1,640	126,193	–	–
	LTAR restricted share units	–	11,086	825,907	–	–	–	11,086
	LTVR performance rights	47,598	11,086	429,638	–	–	–	58,684
Sian Lewis	Ordinary	6,110	–	–	3,480	–	–	9,590
	Deferred STVR shares	5,256	5,495	381,252	2,627	182,266	–	8,124
	Deferred STVR rights	853	–	–	853	65,636	–	–
	LTAR restricted share units	–	9,001	670,575	–	–	–	9,001
	LTVR performance rights	38,915	9,000	348,795	–	–	–	47,915
Vittoria Shortt	Ordinary	19,216	–	–	15,155	–	10,513	44,884
	Deferred STVR shares	8,055	5,553	385,277	–	–	–	13,608
	Deferred STVR rights	4,484	–	–	2,580	179,005	–	1,904
	LTAR restricted share units	–	10,321	768,915	–	–	–	10,321
	LTVR performance rights	57,826	10,320	399,952	15,155	1,306,909	(2,878)	50,113
Angus Sullivan	Ordinary	12,453	–	–	4,287	–	(2,143)	14,597
	Deferred STVR shares	6,412	9,021	625,892	3,205	222,368	–	12,228
	Deferred STVR rights	1,082	–	–	1,082	83,257	–	–
	LTAR restricted share units	–	13,222	985,039	–	–	–	13,222
	LTVR performance rights	49,924	13,222	512,419	–	–	–	63,146
Mike Vacy-Lyle	Ordinary	–	–	–	11,056	–	–	11,056
	Deferred STVR shares	–	3,026	209,949	–	–	–	3,026
	LTAR restricted share units	–	11,646	867,627	–	–	–	11,646
	LTVR performance rights	23,978	11,646	451,341	–	–	–	35,624
	Sign-on equity	21,262	–	–	11,056	719,279	–	10,206
Nigel Williams	Ordinary	31,903	–	–	10,399	–	–	42,302
	Deferred STVR shares	3,555	7,861	545,410	1,777	123,291	–	9,639
	LTAR restricted share units	–	14,748	1,098,726	–	–	–	14,748
	LTVR performance rights	56,197	14,748	571,559	–	–	–	70,945
	Sign-on equity	11,209	–	–	8,622	673,852	–	2,587

1 Ordinary shares include all CBA shares held by the Executive's related parties. Deferred STVR shares/rights represents STVR previously awarded under the Group Executive or Executive General Manager arrangements in prior years. LTVR performance rights are subject to performance hurdles. Deferred shares/rights, LTAR restricted share units, LTVR performance rights and sign-on equity are unvested as at 30 June 2021. The maximum potential outcome for unvested awards are subject to CBA share price at time of vesting.

2 Represents the maximum number of equity awards that may vest to each Executive in respect of their time as KMP. The values represent the fair value at grant date. The minimum potential outcome for the equity awards is zero. Approval was given for the granting of the CEO's 2021 financial year LTAR and LTVR awards at the 2020 Annual General Meeting.

3 Awards that vested include the 2017 financial year LTVR award (granted 22 February 2017), deferred STVR awards (vested in full) (tranches granted 1 September 2017, 1 September 2018, and 1 September 2019) and sign-on shares/rights (granted 1 October 2018, 5 November 2018 and 31 January 2020) that vested during time in KMP role. The value of the awards vested is calculated using VWACP for the five trading days preceding the vesting date, and includes the value of dividends accrued over the vesting period on rights. Executives receive one ordinary share in respect of each right that vests during the financial year.

4 Net change other incorporates changes resulting from purchases (sales) of ordinary shares or forfeitures of performance rights during the year. This includes the portion of the 2017 financial year LTVR award (15.96%) that did not meet the performance hurdle and lapsed.

5 Opening balance has been restated from 10,004 to 11,701 to include a correction to CBA ordinary shares.

Overview of unvested equity awards

All awards are subject to continued employment, Board risk and reputation review, and malus and clawback provisions.

		Performance period/ vesting schedule		
Equity plan	**Grant date**	**Start date**	**End date**	**Performance measures/vesting conditions**
FY19 Executive STVR	1 Sep 19	1 Jul 18	1 Sep 23	Equal tranches vesting after one and two years. One tranche after four years for CEO ASB.
FY20 Executive STVR	1 Sep 20	1 Jul 19	1 Sep 22	
FY18 Executive General Manager STVR	1 Sep 18	1 Jul 17	1 Sep 21	Equal tranches vesting after one, two and three years.
FY19 LTVR	12 Nov 18	1 Jul 18	30 Jun 22	Three tranches vesting after four years being: • 75% TSR ranking relative to peer group • 12.5% trust and reputation (relative to peer group) • 12.5% employee engagement. The non-financial measures are subject to a positive TSR vesting gateway.
FY20 LTVR	18 Nov 19 and 18 Feb 20	1 Jul 19	30 Jun 23	
FY20 LTVR (CEO ASB)	18 Feb 20	1 Jul 19	30 Jun 23	Three tranches vesting after four years being: • 50% TSR ranking relative to peer group • 25% ASB trust and reputation (relative to peer group) • 25% ASB employee engagement. The non-financial measures are subject to a positive TSR vesting gateway.
FY21 LTVR	16 Nov 20	1 Jul 20	30 Jun 24	Two equal tranches vesting after four years subject to: • 50% TSR ranking relative to ASX 20 peer group • 50% TSR ranking relative to financial services peer group. A further holding period of two and three years is applied for the CEO, and one and two years for the Group Executives and CEO ASB.
FY21 LTAR (CEO)	16 Nov 20	1 Jul 20	30 Jun 25	Equal tranches vesting after four and five years for CEO and one tranche after four years for Group Executives and CEO ASB.
FY21 LTAR (GE)	16 Nov 20	1 Jul 20	30 Jun 24	
Pascal Boillat sign-on equity	1 Oct 18	n/a	1 Mar 23	No performance measures.
Mike Vacy-Lyle sign-on equity	31 Jan 20	n/a	30 Sep 21	
Nigel Williams sign-on equity	5 Nov 18	n/a	22 Nov 21	

Remuneration report (continued)

Fair value assumptions for awards granted in the 2021 financial year

In the 2021 financial year, a face value allocation approach was used to determine the number of performance rights granted under the LTVR (refer to page 102) and restricted share units granted under the LTAR (refer to page 102). The table below is provided in accordance with statutory requirements. The fair value has been calculated using a Monte Carlo simulation method. The exercise price is nil across all LTVR and STVR awards.

Equity plan	Performance measure	Grant date	Fair value $	Weighting	Performance period end/final vesting date	End of holding Period
FY20 STVR deferred shares	Service	1 Sep 20	69.38	100%	1 Sep 22	n/a
FY21 LTAR (CEO)	Service	16 Nov 20	74.50	50%	30 Jun 24	n/a
				50%	30 Jun 25	n/a
FY21 LTAR (GE)	Service	16 Nov 20	74.50	100%	30 Jun 24	n/a
FY21 LTVR rights (CEO)	Relative TSR (General ASX peer group)	16 Nov 20	38.43	50%	30 Jun 24	30 Jun 26
	Relative TSR (Financial Services peer group)	16 Nov 20	39.08	50%	30 Jun 24	30 Jun 27
FY21 LTVR rights (Group Executives and CEO ASB)	Relative TSR (General ASX peer group)	16 Nov 20	38.43	50%	30 Jun 24	30 Jun 25
	Relative TSR (Financial Services peer group)	16 Nov 20	39.08	50%	30 Jun 24	30 Jun 26

Hedging policy

Employees are prohibited from hedging, or otherwise limiting, their economic exposure to equity price risk in relation to unvested equity-linked remuneration issued under any Group equity arrangement. Any breach of this requirement will result in disciplinary actions including the forfeiture of unvested awards. Further details of hedging restrictions are set out in the Group Securities Trading Policy.

+ The Group Securities Trading Policy is available at commbank.com.au/corporategovernance

Executive employment arrangements

The table below provides the employment arrangements for Executives.

Contract term	CEO	Group Executives	CEO ASB
Contract type [1]	Permanent	Permanent	Permanent
Notice period	12 months	Six months	Six months
Severance	n/a [2]	n/a [2]	12 months [2]
STVR treatment on termination	In general, unless otherwise determined by the Board (or ASB Board in respect of the CEO ASB): • Executives who resign or are dismissed are not eligible to receive an STVR award and will forfeit any unvested deferred STVR awards. • Where an Executive's exit is related to any other reason (e.g. retrenchment, retirement or death), the Executive remains eligible (unless the Board determines otherwise) to be considered for an STVR award with regard to actual performance against performance measures (as determined by the Board in the ordinary course following the end of the performance period). • Where an Executive's exit is related to any other reason (e.g. retrenchment, retirement or death), unvested deferred STVR awards will remain on foot and will vest in the ordinary course, subject to the terms and condition of the award other than those relating to continuity of employment.		
LTAR treatment on termination	In general, unless otherwise determined by the Board: • Executives who resign or are dismissed before the end of the restriction period will lapse any restricted share units. • Where an Executive's exit is related to any other reason (e.g. retrenchment, retirement or death), the restricted share units will remain on foot and will vest in the ordinary course subject to the terms and conditions (other than those relating to continuity of employment).		
LTVR treatment on termination	In general, unless otherwise determined by the Board: • Executives who resign or are dismissed before the end of the performance period will lapse all unvested LTVR awards. • Where an Executive's exit is related to any other reason (e.g. retrenchment, retirement or death), any unvested LTVR awards continue on-foot with performance measured at the end of the performance period related to each award (and with the award otherwise remaining subject to all terms and conditions other than those relating to continuity of employment). For the 2021 financial year LTVR award, Executives who are dismissed during the holding period will lapse all performance rights subject to the holding period. Where an Executive ceases for any other reason during the holding period the performance rights subject to the holding period will remain on-foot with dates unchanged.		

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

2 Contractual severance pay is no longer offered in Group Executive employment arrangements. Group Executives remain entitled to statutory redundancy pay if retrenched. For Group Executives on grandfathered arrangements, they are eligible for severance payments of six months' base remuneration if their employment is terminated by the Group, other than for misconduct or unsatisfactory performance. For the CEO ASB, contractual severance allows for minimum 12 months' base salary (inclusive of notice) or a maximum of 64 weeks in accordance with ASB Policy.

Remuneration report (continued)

4. Risk and remuneration consequences

Our performance and remuneration frameworks have continued to evolve over the past year, enabling us to achieve better alignment between risk, performance and remuneration.

The remuneration adjustments made in the 2020 and 2019 financial years provided below includes employees eligible for a performance review. There were three risk-related adjustments to the Executive Leadership Team STVR outcomes in the 2021 financial year. Remuneration adjustments for remaining employees in relation to the 2021 financial year will be finalised in September 2021 in line with the CBA-wide annual remuneration review process and will be outlined in the 2022 Remuneration Report.

	2020 financial year	2019 financial year
Employees rated 'exceptionally managed' for risk	451 employees	500 employees
Employees rated 'partially met' or 'not met' for risk	2,612 employees (including 34 General Managers and above)	4,515 employees (including 121 General Managers and above)

CBA's consequence management framework was further embedded in the current financial year, with instances of unacceptable conduct resulting in termination. In the 2021 financial year, there were 1,825 of substantiated unacceptable conduct, including 11 senior leaders (General Managers and Executive General Managers), with 105 resulting in termination.

Enhancements to CBA's risk assessment process and remuneration framework through guidance, procedures and governance continue to be a priority for the Board, including reinforcing the Board's expectations for managing risks in support of a positive risk culture.

Risk assessment in performance

CBA's performance and remuneration frameworks support and promote the mitigation of risks by holding individuals accountable for managing risks relating to their role and not complying with the Group's Code of Conduct, including policies such as Group Mandatory Learning. These frameworks also support collective accountability for managing risks.

Group-wide risk assessment guidance including examples is continually enhanced to help people leaders consistently assess risk behaviours and outcomes, determine the appropriate level of STVR adjustments for not fully meeting expectations, and document the reasons for their assessment.

Executive risk assessments continue to be supported by comprehensive reporting, independent assessment by the Chief Risk Officer, and Concurrent meetings as part of the interim and annual performance assessment processes.

STVR outcomes have been reduced by a minimum of 10% for 'partially met' ratings since the 2019 financial year and ranged up to 100% for 'not met'. In the 2020 financial year, 2,612 employees received a 'partially met' or 'not met' risk assessment rating with a resulting STVR reduction between 10% and 100%.

Malus adjustments have also been made to unvested deferred variable remuneration in relation to poor risk outcomes and/or misconduct. In the 2020 financial year, impacted employees received malus adjustments ranging from 20% to 100% as a result of poor risk outcomes, including to a former Executive's deferred awards.

Comprehensive reporting is provided to the Board to support its oversight of risk assessment and STVR outcomes and to assist informing the Board's guidance for the 2021 performance and remuneration review.

Risk culture

The variable remuneration and consequences management structures

Designed to clearly articulate and reinforce behaviours supporting the disciplined management of risks as aligned to our target risk culture. The maturity of our risk culture continues to be assessed via the annual Board Risk Culture Assessment. The process, design and application of variable remuneration and consequences are an important influence on risk.

The Recognition Award

First introduced in 2019, continues to recognise and reward employees rated 'exceptionally managed' for risk, whose risk behaviours and outcomes are considered exemplary. In 2020, 75 employees received CEO recognition and an additional reward to acknowledge their outstanding contribution to the positive risk culture of the Group.

Malus and clawback

- Guidance and enhanced procedures to support the application of malus (the ability to reduce, postpone and/or lapse granted variable remuneration), have been implemented across CBA during the 2021 financial year.
- Clawback (the recovery of variable remuneration that has been paid or vested) can be applied to all CEO and Group Executive variable remuneration from the 2021 financial year.

5. Non-Executive Director arrangements

The table below outlines the Non-Executive Directors for the financial year ended 30 June 2021. From 1 July 2019, Non-Executive Directors are required to hold CBA shares equivalent to 100% of Board Chairman fees for the Chairman and 100% of Board member fees for Non-Executive Directors. This is to be accumulated within five years commencing the later of 1 July 2019 or date of appointment, valued with reference to the prevailing CBA share price at the relevant accumulation commencement date. This will also be the starting date for compliance with the revised MSR within five years. Progress against the MSR for each individual is shown in the table below.

Name	Position	Term as KMP	Current shareholding[1]	Progress against MSR and deadline[2]
Chairman				
Catherine Livingstone AO	Chairman	Full year	81%	On track, 1 July 2024
Current Non-Executive Directors				
Shirish Apte	Director	Full year	256%	Meets
Genevieve Bell AO	Director	Full year	38%	On track, 1 July 2024
Peter Harmer[3]	Director	Part year	32%	On track, 1 March 2026
Simon Moutter[4]	Director	Part year	115%	Meets
Paul O'Malley	Director	Full year	182%	Meets
Mary Padbury	Director	Full year	54%	On track, 1 July 2024
Anne Templeman-Jones	Director	Full year	53%	On track, 1 July 2024
Rob Whitfield AM	Director	Full year	70%	On track, 1 July 2024
Former Non-Executive Director				
Wendy Stops[5]	Director	Part year	n/a	n/a

1 The percentage shown represents the individual's percentage of CBA shares as a proportion of their individual base fees.
2 Non-Executive Directors are required to hold CBA shares equivalent to 100% of base Board member fees for Non-Executive Directors and 100% of Board Chairman fees for the Chairman. This is to be accumulated within five years based on base Board member fees or Board Chairman fees as at 1 July 2019 or date of appointment, whichever is later.
3 Peter Harmer was appointed as Non-Executive Director effective 1 March 2021.
4 Simon Moutter was appointed as Non-Executive Director effective 1 September 2020.
5 Wendy Stops retired from the Group effective 13 October 2020.

Non-Executive Director fees

Non-Executive Directors receive fees as compensation for their work on the Board and the associated Committees on which they serve. Non-Executive Directors do not receive any performance-related remuneration. The total amount of Non-Executive Directors' fees is capped at a maximum fee pool that is approved by shareholders. The current fee pool is $4.75 million, which was approved by shareholders at CBA's 2015 Annual General Meeting on 17 November 2015.

The following table outlines the Non-Executive Directors' fees for the Board and the Committees as at 30 June 2021. There has been no change to Board fees during the 2021 financial year. Fees are inclusive of base fees and statutory superannuation. The Chairman does not receive separate Committee fees.

Board/Committee	Chairman $	Member $
Board	870,000	242,000
Audit Committee	65,000	32,500
Risk & Compliance Committee	65,000	32,500
People & Remuneration Committee	60,000	30,000
Nominations Committee[1]	–	11,600
United Kingdom Remuneration Assurance Committee (UK RAC)[2]	30,000	18,000

1 The Chairman of the Board is also the Chairman of the Nominations Committee, Chairman does not receive an additional Chairman fee for Nominations Committee.
2 Board members who also serve as members of the UK receive fees in relation to that service, and these fees are set appropriately below fees for UK RAC independent members given a small portion of UK RAC matters overlap with People & Remuneration Committee matters.

Remuneration report (continued)

Non-Executive Director statutory remuneration

The statutory table below details individual statutory remuneration for the Non-Executive Directors for both the 2020 and 2021 financial years.

	Short-term benefits	Post-employment benefits	Share-based payments	
	Cash[1] $	Superannuation[2] $	Non-Executive Directors' Share Plan[3] $	Total statutory remuneration $
Chairman				
Catherine Livingstone AO				
30 Jun 21	**866,723**	**21,694**	**–**	**888,417**
30 Jun 20	870,108	21,003	–	891,111
Current Non-Executive Directors				
Shirish Apte				
30 Jun 21	**302,320**	**21,694**	**–**	**324,014**
30 Jun 20	314,694	21,003	–	335,697
Genevieve Bell AO				
30 Jun 21	**213,280**	**21,694**	**40,092**	**275,066**
30 Jun 20	196,617	20,724	33,550	250,891
Peter Harmer [4]				
30 Jun 21	**74,562**	**7,121**	**–**	**81,683**
Simon Moutter [5]				
30 Jun 21	**184,567**	**17,296**	**–**	**201,863**
Paul O'Malley				
30 Jun 21	**330,934**	**21,694**	**–**	**352,628**
30 Jun 20	292,542	21,003	–	313,545
Mary Padbury				
30 Jun 21	**248,762**	**21,694**	**13,320**	**283,776**
30 Jun 20	252,575	21,003	11,233	284,811
Anne Templeman-Jones				
30 Jun 21	**308,119**	**21,694**	**9,897**	**339,710**
30 Jun 20	306,732	21,003	13,213	340,948
Rob Whitfield AM				
30 Jun 21	**279,431**	**21,694**	**50,193**	**351,318**
30 Jun 20	266,263	21,003	43,014	330,280
Former Non-Executive Director				
Wendy Stops[6]				
30 Jun 21	**93,411**	**5,930**	**–**	**99,341**
30 Jun 20	284,797	21,003	–	305,800

1 Cash includes Board and Committee fees received as cash, as well as the provision of additional benefits (including associated fringe benefits tax).
2 Superannuation contributions are capped at the superannuation maximum contributions base as prescribed under the Superannuation Guarantee legislation.
3 The values shown in the tables represent the post-tax portion of fees received as shares under the NEDSP. Shares granted under the NEDSP are granted on current share price as at grant date and paid for out of pre-tax fee sacrifice (to a maximum of $5,000 p.a.) or after-tax fees, and were not provided as compensation.
4 Peter Harmer was appointed as Non-Executive Director effective 1 March 2021, therefore remuneration reflects time in the role.
5 Simon Moutter was appointed as Non-Executive Director effective 1 September 2020, therefore remuneration reflects time in the role.
6 Wendy Stops retired from the Group effective 13 October 2020 and therefore her remuneration reflects time in the role.

Shares and other securities held by Non-Executive Directors

Details of the shareholdings and other securities as well as interests in registered schemes made available by CBA, or a related body corporate of CBA held by Non-Executive Directors (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned hold significant voting power) are set out below relating to time in KMP role. All shares were acquired by Non-Executive Directors on normal terms and conditions or through the Non-Executive Directors' Share Plan (NEDSP). Other securities acquired by Non-Executive Directors were on normal terms and conditions.

	Class	Balance 1 Jul 2020	Acquired [1]	Net change other[2]	Balance 30 Jun 2021
Chairman					
Catherine Livingstone AO	Ordinary	10,935	1,200	(3,598)	8,537
Current Non-Executive Directors					
Shirish Apte	Ordinary	7,500	–	–	7,500
Genevieve Bell AO	Ordinary	641	480	–	1,121
	PERLS[5]	1,020	–	–	1,020
Peter Harmer	Ordinary	n/a	948	–	948
Simon Moutter	Ordinary	n/a	–	–	4,000
Paul O'Malley	Ordinary	5,330	–	–	5,330
Mary Padbury[3]	Ordinary	1,527	67	–	1,594
	PERLS[5]	1,600	–	–	1,600
Anne Templeman-Jones	Ordinary	1,550	11	–	1,561
Rob Whitfield AM	Ordinary	1,471	593	–	2,064
Former Non-Executive Director					
Wendy Stops[4]	Ordinary	16,000	–	–	n/a

1 Incorporates shares and other securities acquired during the year. In the 2021 financial year, under the NEDSP, Genevieve Bell AO acquired 480 shares, Mary Padbury acquired 67 shares, Anne Templeman-Jones acquired 11 shares and Rob Whitfield AM acquired 593 shares.

2 Net change other incorporates changes resulting from other transfers of securities.

3 Mary Padbury also holds an interest in 158,162.747 units in the Commonwealth Specialist Fund 15, a registered scheme made available by a related body corporate of the Bank, as at 12 August 2020. Varying interests in this Fund have been held by Mary Padbury since 2015. CBA identified that it omitted to disclose these interests in its Annual Reports from 2016 in error.

4 Wendy Stops retired from the Group effective 13 October 2020, therefore her shareholding balance as at 30 June 2021 is not included.

5 Includes cumulative holdings of PERLS securities issued by the Group.

6. Loans and other transactions

Loans to KMP

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

Total loans to KMP

	$
Opening balance (1 Jul 20)[1]	7,914,396
Closing balance (30 Jun 21)[2]	10,954,767
Interest charged (during 2021 financial year)	234,212

1 Opening balances at 1 July 2020 have been restated due to timing of reporting.
2 The aggregate loan amount at the end of the reporting period includes loans issued to 11 KMP and their related parties.

Loans to KMP exceeding $100,000 in aggregate during the 2021 financial year

	Balance 1 Jul 2020[1] $	Interest charged $	Interest not charged $	Write-off $	Balance 30 Jun 2021 $	Highest balance in period[2] $
Alan Docherty	1,298,389	33,745	–	–	1,047,285	1,345,040
Angus Sullivan	5,574,299	121,944	–	–	5,356,404	5,595,201
Sian Lewis	777,698	29,652	–	–	779,672	833,566
Vittoria Shortt	140,274	42,299	–	–	3,618,722	3,196,631
Total	**7,790,660**	**227,640**	**–**	**–**	**10,802,083**	**10,970,438**

1 Opening balances at 1 July 2020 have been restated due to timing of reporting .
2 Represents the sum of highest balances outstanding at any point during the 2021 financial year for each individual loan held by the KMP and their related parties.

Other transactions of KMP

Financial instrument transactions

Financial instrument transactions (other than loans and shares disclosed within this report) of KMP, their close family members and entities controlled or significantly influenced by them, occur in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees.

All such financial instrument transactions that have occurred between entities within the Group and KMP, their close family members and entities controlled or significantly influenced by them, were in the nature of normal personal banking and deposit transactions.

Transactions other than financial instrument transactions

All other transactions with KMP, their close family members, related entities and other related parties are conducted in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees and customers. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group.

Directors' report (continued)

Non-audit services

Amounts paid or payable to PricewaterhouseCoopers (PwC) for audit, review, assurance and non-audit services provided during the year, are set out in Note 12.3 to the *Financial report* on page 267.

Auditor's Independence Declaration

We have obtained an independence declaration from our external auditor as presented on page 112.

Auditor independence

The operation of the Group External Auditor Services Policy assists in ensuring the independence of the Group's external auditor.

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

The Audit Committee is satisfied that the provision of the non-audit services by PwC during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth).

The Directors are satisfied that the provision of the non-audit services by PwC during the year is compatible with the general standard of independence for auditors and did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cth). The reasons for this are as follows:

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

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

Incorporation of additional material

The following sections of this report form part of the *Directors' report* and should be read in conjunction:

- Directors' shareholdings, share rights and options can be found on pages 102 and 109; and
- the *Remuneration report* can be found on pages 84–110.

This Directors' report is made in accordance with a resolution of the Directors.

C.B. Livingstone

Catherine Livingstone AO
Chairman

Matt Comyn
Managing Director and Chief Executive Officer

11 August 2021

Auditor's Independence Declaration

For the year ended 30 June 2021

As lead auditor for the audit of the Commonwealth Bank of Australia for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
11 August 2021

Financial report contents

Financial statements

Income Statements 114
Statements of Comprehensive Income 115
Balance Sheets 116
Statements of Changes in Equity 117
Statements of Cash Flows 119

Notes to the financial statements

1. Overview 121

1.1 General information, basis of accounting, changes in accounting policies 121

2. Our performance 124

2.1 Net interest income 124
2.2 Average balances and related interest 126
2.3 Other operating income 131
2.4 Operating expenses 133
2.5 Income tax expense 135
2.6 Earnings per share 138
2.7 Financial reporting by segments 139

3. Our lending activities 144

3.1 Loans, bills discounted and other receivables 144
3.2 Loan impairment expense and provisions for impairment 148

4. Our deposits and funding activities 159

4.1 Deposits and other public borrowings 159
4.2 Liabilities at fair value through Income Statement 160
4.3 Debt issues 161
4.4 Term funding from central banks 163
4.5 Securitisation, covered bonds and transferred assets 163

5. Our investing, trading and other banking activities 165

5.1 Cash and liquid assets 165
5.2 Receivables from and payables to financial institutions 165
5.3 Assets at fair value through Income Statement 166
5.4 Derivative financial instruments and hedge accounting 167
5.5 Investment securities 177

6. Other Assets 179

6.1 Property, plant and equipment 179
6.2 Intangible assets 182
6.3 Other assets 185

7. Other liabilities 186

7.1 Provisions 186
7.2 Bills payable and other liabilities 194

8. Our capital, equity and reserves 195

8.1 Capital adequacy 195
8.2 Loan capital 196
8.3 Shareholders' equity 198
8.4 Dividends 202

9. Risk management 204

9.1 Risk management framework 205
9.2 Credit risk 212
9.3 Market risk 232
9.4 Liquidity and funding risk 235
9.5 Disclosures about fair values 240
9.6 Collateral arrangements 245
9.7 Offsetting financial assets and financial liabilities 246

10. Employee benefits 249

10.1 Share-based payments 249
10.2 Retirement benefit obligations 251
10.3 Key management personnel 254

11. Group structure 256

11.1 Investments in subsidiaries and other entities 256
11.2 Related party disclosures 261
11.3 Discontinued operations and businesses held for sale 262

12. Other 265

12.1 Contingent liabilities, contingent assets and commitments arising from the banking business 265
12.2 Notes to the Statements of Cash Flows 266
12.3 Remuneration of auditors 267
12.4 Future accounting developments 268
12.5 Subsequent events 269

Directors' declaration 270
Independent auditor's report 271

Additional information 279

Income Statements

For the year ended 30 June 2021

		Group [1]			Bank [1]	
		30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 21	30 Jun 20
	Note	$M	$M	$M	$M	$M
Interest income:						
Effective interest income	2.1	**24,448**	29,726	34,089	**21,800**	26,651
Other interest income	2.1	**210**	436	620	**241**	485
Interest expense	2.1	**(5,819)**	(11,552)	(16,485)	**(5,551)**	(10,660)
Net interest income		**18,839**	18,610	18,224	**16,490**	16,476
Other banking income [2]	2.3	**5,265**	5,002	4,877	**5,152**	9,154
Net banking operating income		**24,104**	23,612	23,101	**21,642**	25,630
Net funds management operating income	2.3	**165**	173	254	**–**	–
Net insurance operating income	2.3	**145**	141	150	**–**	–
Total net operating income before operating expenses and impairment		**24,414**	23,926	23,505	**21,642**	25,630
Operating expenses	2.4	**(11,485)**	(11,030)	(10,995)	**(10,520)**	(10,794)
Loan impairment expense	3.2	**(554)**	(2,518)	(1,201)	**(525)**	(2,155)
Net profit before income tax		**12,375**	10,378	11,309	**10,597**	12,681
Income tax expense	2.5	**(3,532)**	(2,990)	(3,255)	**(2,688)**	(2,547)
Net profit after income tax from continuing operations		**8,843**	7,388	8,054	**7,909**	10,134
Non-controlling interests in net profit after income tax from continuing operations		**–**	–	(12)	**–**	–
Net profit attributable to equity holders of the Bank from continuing operations		**8,843**	7,388	8,042	**7,909**	10,134
Net profit after income tax from discontinued operations	11.3	**1,338**	2,207	531	**–**	–
Non-controlling interests in net profit after income tax from discontinued operations	11.3	**–**	(3)	(7)	**–**	–
Net profit attributable to equity holders of the Bank		**10,181**	9,592	8,566	**7,909**	10,134

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

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

	Group [1]		
	30 Jun 21	30 Jun 20	30 Jun 19
	Cents per share		
Earnings per share from continuing operations:			
Basic	**499.2**	417.8	455.6
Diluted	**470.6**	404.8	440.7
Earnings per share:			
Basic	**574.8**	542.4	485.3
Diluted	**539.7**	521.0	468.3

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

2 Other banking income is presented net of directly associated depreciation and impairment charges.

Statements of Comprehensive Income

For the year ended 30 June 2021

	Group [1]			Bank [1]	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 21 $M	30 Jun 20 $M
Net profit after income tax for the period from continuing operations	**8,843**	7,388	8,054	**7,909**	10,134
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit/(loss):					
Foreign currency translation reserve net of tax	**(212)**	(186)	488	**(177)**	(51)
(Losses)/gains on cash flow hedging instruments net of tax	**(1,046)**	726	947	**(1,055)**	694
Gains/(losses) on debt investment securities at fair value through Other Comprehensive Income net of tax	**522**	(199)	103	**513**	(200)
Total of items that may be reclassified	**(736)**	341	1,538	**(719)**	443
Items that will not be reclassified to profit/(loss):					
Actuarial (losses)/gains from defined benefit superannuation plans net of tax	**(95)**	116	(49)	**(95)**	115
Gains/(losses) on equity investment securities at fair value through Other Comprehensive Income net of tax	**1,521**	34	(6)	**1,502**	40
Revaluation of properties net of tax	**18**	19	34	**19**	15
Total of items that will not be reclassified	**1,444**	169	(21)	**1,426**	170
Other comprehensive income net of income tax from continuing operations	**708**	510	1,517	**707**	613
Total comprehensive income for the period from continuing operations	**9,551**	7,898	9,571	**8,616**	10,747
Net profit after income tax for the period from discontinued operations	**1,338**	2,207	531	**–**	–
Other comprehensive income/(expense) for the period from discontinued operations net of income tax [2]	**33**	(56)	(17)	**–**	–
Total comprehensive income for the period	**10,922**	10,049	10,085	**8,616**	10,747
Total comprehensive income for the period is attributable to:					
Equity holders of the Bank	**10,922**	10,046	10,066	**8,616**	10,747
Non-controlling interests	**–**	3	19	**–**	–
Total comprehensive income net of tax	**10,922**	10,049	10,085	**8,616**	10,747

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

2 Includes $2 million loss on foreign currency translation net of tax (30 June 2020: $48 million loss; 30 June 2019: $24 million loss) and $35 million gain on revaluation of debt investment securities measured at fair value through other comprehensive income net of tax (30 June 2020: $8 million loss; 30 June 2019: $7 million gain).

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

		Group		
		30 Jun 21	30 Jun 20	30 Jun 19
	Note	Cents per share		
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	8.4	**350**	298	431

Balance Sheets

As at 30 June 2021

		Group [1, 2]		Bank [1]	
		30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	Note	$M	$M	$M	$M
Assets					
Cash and liquid assets	5.1	**100,041**	44,165	**96,759**	40,300
Receivables from financial institutions	5.2	**5,085**	8,547	**4,553**	8,309
Assets at fair value through Income Statement	5.3	**36,970**	46,545	**36,602**	46,284
Derivative assets	5.4	**21,449**	30,285	**21,444**	29,322
Investment securities:					
At amortised cost	5.5	**4,278**	5,173	**4,278**	5,167
At fair value through Other Comprehensive Income	5.5	**86,560**	79,549	**78,701**	72,335
Assets held for sale	11.3	**1,201**	1,770	**1**	1
Loans, bills discounted and other receivables	3.1	**811,356**	772,980	**708,505**	678,701
Shares in and loans to controlled entities	11.2	**–**	–	**58,102**	66,792
Property, plant and equipment	6.1	**5,284**	5,602	**3,953**	4,051
Investments in associates and joint ventures	11.1	**3,941**	3,034	**1,527**	1,082
Intangible assets	6.2	**6,942**	6,891	**3,939**	3,908
Deferred tax assets	2.5	**2,067**	2,091	**1,761**	1,997
Other assets	6.3	**6,788**	8,839	**5,684**	6,917
Total assets		**1,091,962**	1,015,471	**1,025,809**	965,166
Liabilities					
Deposits and other public borrowings	4.1	**766,381**	703,432	**693,197**	632,734
Payables to financial institutions	5.2	**19,059**	14,929	**18,468**	13,850
Liabilities at fair value through Income Statement	4.2	**8,381**	4,397	**2,721**	3,888
Derivative liabilities	5.4	**18,486**	31,347	**21,483**	36,248
Due to controlled entities		**–**	–	**44,850**	53,072
Current tax liabilities		**135**	795	**3**	716
Deferred tax liabilities	2.5	**228**	30	**–**	30
Liabilities held for sale	11.3	**405**	594	**–**	–
Provisions	7.1	**3,733**	3,461	**3,036**	2,967
Term funding from central banks	4.4	**51,856**	1,500	**51,137**	1,500
Debt issues	4.3	**103,003**	142,503	**77,840**	113,323
Bills payable and other liabilities	7.2	**12,217**	13,188	**11,655**	11,866
		983,884	916,176	**924,390**	870,194
Loan capital	8.2	**29,360**	27,357	**28,976**	26,964
Total liabilities		**1,013,244**	943,533	**953,366**	897,158
Net assets		**78,718**	71,938	**72,443**	68,008
Shareholders' Equity					
Ordinary share capital	8.3	**38,420**	38,131	**38,430**	38,180
Reserves	8.3	**3,249**	2,666	**3,201**	2,444
Retained profits	8.3	**37,044**	31,136	**30,812**	27,384
Shareholders' Equity attributable to equity holders of the Bank		**78,713**	71,933	**72,443**	68,008
Non-controlling interests		**5**	5	**–**	–
Total Shareholders' Equity		**78,718**	71,938	**72,443**	68,008

1 Comparative information has been restated to conform to presentation in the current year and to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

2 Current year balances have been impacted by the completed divestments of Aussie Home Loans, AUSIEX and BoComm Life. For details of the Group's discontinued operations and businesses held for sale refer to Note 11.3.

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

Statements of Changes in Equity

For the year ended 30 June 2021

	Group					
	Ordinary share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 30 June 2019	38,020	3,092	28,482	**69,594**	55	**69,649**
Change on adoption of AASB 16	–	–	(146)	**(146)**	–	**(146)**
Prior period restatement [1]	–	–	(33)	**(33)**	–	**(33)**
Restated opening balance	38,020	3,092	28,303	**69,415**	55	**69,470**
Net profit after income tax from continuing operations [1]	–	–	7,388	**7,388**	–	**7,388**
Net profit after income tax from discontinued operations [1]	–	–	2,204	**2,204**	3	**2,207**
Net Other Comprehensive Income from continuing operations	–	394	116	**510**	–	**510**
Net Other Comprehensive Income from discontinued operations	–	(56)	–	**(56)**	–	**(56)**
Total comprehensive income for the period [1]	–	338	9,708	**10,046**	3	**10,049**
Transactions with equity holders in their capacity as equity holders: [2]						
Dividends paid on ordinary shares	–	–	(7,629)	**(7,629)**	–	**(7,629)**
Dividend reinvestment plan (net of issue costs)	(1)	–	–	**(1)**	–	**(1)**
Share-based payments	–	(23)	–	**(23)**	–	**(23)**
Purchase of treasury shares	(65)	–	–	**(65)**	–	**(65)**
Sale and vesting of treasury shares	98	–	–	**98**	–	**98**
Decrease in treasury shares on deconsolidation of CommInsure Life	79	–	–	**79**	–	**79**
Other changes [3]	–	(741)	754	**13**	(53)	**(40)**
As at 30 June 2020 [1]	38,131	2,666	31,136	**71,933**	5	**71,938**
Net profit after income tax from continuing operations	–	–	8,843	**8,843**	–	**8,843**
Net profit after income tax from discontinued operations	–	–	1,338	**1,338**	–	**1,338**
Net Other Comprehensive Income from continuing operations	–	803	(95)	**708**	–	**708**
Net Other Comprehensive Income from discontinued operations	–	33	–	**33**	–	**33**
Total comprehensive income for the period	–	836	10,086	**10,922**	–	**10,922**
Transactions with equity holders in their capacity as equity holders: [2]						
Dividends paid on ordinary shares	–	–	(4,396)	**(4,396)**	–	**(4,396)**
Dividend reinvestment plan (net of issue costs)	264	–	–	**264**	–	**264**
Share-based payments	–	(35)	–	**(35)**	–	**(35)**
Purchase of treasury shares	(59)	–	–	**(59)**	–	**(59)**
Sale and vesting of treasury shares	84	–	–	**84**	–	**84**
Other changes [3]	–	(218)	218	**–**	–	**–**
As at 30 June 2021	38,420	3,249	37,044	**78,713**	5	**78,718**

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

2 Current year and prior year include discontinued operations.

3 Current year includes $207 million reclassification from Foreign currency translation reserve to Retained profits related to a historical Group restructure where the Group no longer holds exposure to foreign exchange risk. Prior year includes $733 million transfer from General reserve to Retained profits.

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

Statements of Changes in Equity (continued)

For the year ended 30 June 2021

	Bank			
	Ordinary share capital $M	Reserves $M	Retained profits $M	Total Shareholders' Equity $M
As at 30 June 2019	38,212	3,813	23,099	**65,124**
Change on adoption of AASB 16	–	–	(146)	**(146)**
Prior period restatement [1]	–	–	(33)	**(33)**
Restated opening balance	38,212	3,813	22,920	**64,945**
Net profit after income tax from continuing operations [1]	–	–	10,134	**10,134**
Net Other Comprehensive Income from continuing operations	–	498	115	**613**
Total comprehensive income for the period [1]	–	498	10,249	**10,747**
Transactions with equity holders in their capacity as equity holders:				
Dividends paid on ordinary shares	–	–	(7,629)	**(7,629)**
Dividend reinvestment plan (net of issue costs)	(1)	–	–	**(1)**
Share-based payments	–	(23)	–	**(23)**
Purchase of treasury shares	(65)	–	–	**(65)**
Sale and vesting of treasury shares	34	–	–	**34**
Other changes [2]	–	(1,844)	1,844	**–**
As at 30 June 2020 [1]	38,180	2,444	27,384	**68,008**
Net profit after income tax from continuing operations	–	–	7,909	**7,909**
Net Other Comprehensive Income from continuing operations	–	802	(95)	**707**
Total comprehensive income for the period	–	802	7,814	**8,616**
Transactions with equity holders in their capacity as equity holders:				
Dividends paid on ordinary shares	–	–	(4,396)	**(4,396)**
Dividend reinvestment plan (net of issue costs)	264	–	–	**264**
Share-based payments	–	(35)	–	**(35)**
Purchase of treasury shares	(59)	–	–	**(59)**
Sale and vesting of treasury shares	45	–	–	**45**
Other changes	–	(10)	10	**–**
As at 30 June 2021	38,430	3,201	30,812	**72,443**

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

2 Includes $586 million transfer from General reserve and $1,254 million transfer from Capital reserve to Retained profits.

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

Statements of Cash Flows

For the year ended 30 June 2021

	Note	Group [1, 2, 3]			Bank [1, 2]	
		30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 21 $M	30 Jun 20 $M
Cash flows from operating activities						
Interest received		**25,203**	30,920	34,757	**22,564**	27,817
Interest paid [4]		**(6,424)**	(11,932)	(15,695)	**(5,903)**	(10,947)
Other operating income received		**4,775**	5,237	5,808	**3,535**	3,618
Expenses paid [4]		**(9,886)**	(9,802)	(10,784)	**(8,865)**	(9,270)
Income taxes paid		**(3,672)**	(3,171)	(4,878)	**(3,261)**	(2,728)
Insurance business:						
Investment income		**–**	198	340	**–**	–
Premiums received [5]		**695**	1,135	2,414	**–**	–
Policy payments and commission expense [5]		**(550)**	(2,087)	(3,061)	**–**	–
Cash flows from operating activities before changes in operating assets and liabilities		**10,141**	10,498	8,901	**8,070**	8,490
Changes in operating assets and liabilities arising from cash flow movements						
Movement in investment securities:						
Purchases		**(37,045)**	(42,088)	(41,925)	**(32,778)**	(38,397)
Proceeds		**29,528**	44,358	43,239	**26,222**	43,099
Net (increase)/decrease in assets at fair value through Income Statement (excluding insurance)		**(911)**	(4,009)	2,482	**(2,753)**	(2,668)
Net increase in loans, bills discounted and other receivables		**(39,858)**	(20,439)	(9,591)	**(31,200)**	(17,798)
Net decrease/(increase) in receivables from financial institutions		**3,567**	(584)	1,345	**3,803**	(1,069)
Net decrease/(increase) in securities purchased under agreements to resell		**4,272**	(4,126)	930	**3,890**	(4,753)
Insurance business:						
Purchase of insurance assets at fair value through Income Statement		**–**	(903)	(1,383)	**–**	–
Proceeds from sales and maturities of insurance assets at fair value through Income Statement		**–**	1,415	2,512	**–**	–
Net decrease/(increase) in other assets		**185**	(1,560)	525	**(118)**	(449)
Net increase in deposits and other public borrowings		**61,189**	69,267	5,017	**58,476**	59,387
Net increase/(decrease) in payables to financial institutions		**4,041**	(8,470)	2,154	**4,490**	(8,757)
Net increase/(decrease) in securities sold under agreements to repurchase		**2,441**	(2,222)	4,402	**2,283**	(2,131)
Net increase/(decrease) in other liabilities at fair value through Income Statement		**4,100**	(4,312)	126	**(1,134)**	(3,963)
Net (decrease)/increase in other liabilities		**(338)**	482	(648)	**(6)**	547
Changes in operating assets and liabilities arising from cash flow movements		**31,171**	26,809	9,185	**31,175**	23,048
Net cash provided by operating activities	12.2 (a)	**41,312**	37,307	18,086	**39,245**	31,538

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

2 Comparative information has been restated to conform to presentation in the current year and to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

3 Includes discontinued operations. For the cash flows from discontinued operations refer to Note 11.3.

4 Interest and expenses paid for the years ended 30 June 2021 and 2020 include cash outflows due to lease payments, under AASB 16 *Leases*, which was implemented on 1 July 2019.

5 Represents gross premiums and policy payments before splitting between policyholders and shareholders.

Statements of Cash Flows (continued)

For the year ended 30 June 2021

		Group [1, 2, 3]			Bank [1, 2]	
		30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 21	30 Jun 20
	Note	$M	$M	$M	$M	$M
Cash flows from investing activities						
Cash outflows from acquisitions of controlled entities (net of cash acquired)		**(61)**	–	–	**(61)**	–
Cash inflows from disposals of associates and joint ventures		**892**	–	94	**1**	–
Cash outflows from acquisitions of associates and joint ventures		**(60)**	(18)	(22)	**(55)**	–
Cash inflows from disposal of controlled entities (net of cash disposed of)		**682**	5,011	1,259	**124**	–
Dividends received		**128**	95	141	**1,311**	4,809
Net amounts paid to controlled entities [4]		**–**	–	–	**384**	(789)
Proceeds from sales of property, plant and equipment		**57**	200	151	**46**	26
Purchases of property, plant and equipment		**(235)**	(910)	(326)	**(182)**	(238)
Purchases of intangible assets		**(532)**	(629)	(314)	**(541)**	(486)
Net cash provided by investing activities		**871**	3,749	983	**1,027**	3,322
Cash flows from financing activities						
Dividends paid (excluding Dividend Reinvestment Plan)		**(4,132)**	(7,629)	(6,853)	**(4,132)**	(7,629)
Redemption of other equity instruments		**–**	–	(505)	**–**	–
Proceeds from issuance of debt securities		**17,802**	37,630	56,448	**15,096**	32,889
Redemption of debt securities		**(49,558)**	(64,661)	(73,747)	**(43,941)**	(55,706)
Proceeds from drawing on term funding from central banks		**50,357**	1,500	–	**49,638**	1,500
Purchases of treasury shares		**(71)**	(65)	(93)	**(71)**	(65)
Sales of treasury shares		**5**	93	22	**–**	–
Proceeds from issuance of loan capital		**6,791**	5,849	1,579	**6,791**	5,845
Redemption of loan capital		**(2,608)**	(2,871)	(2,637)	**(2,608)**	(2,876)
Payments for the principal portion of lease liabilities		**(428)**	(463)	–	**(395)**	(428)
Other		**153**	(115)	47	**41**	32
Net cash provided by/(used in) financing activities		**18,311**	(30,732)	(25,739)	**20,419**	(26,438)
Net increase/(decrease) in cash and cash equivalents		**60,494**	10,324	(6,670)	**60,691**	8,422
Effect of foreign exchange rates on cash and cash equivalents		**(465)**	17	675	**(432)**	54
Cash and cash equivalents at beginning of year		**27,351**	17,010	23,005	**24,010**	15,534
Cash and cash equivalents at end of year	12.2 (b)	**87,380**	27,351	17,010	**84,269**	24,010

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

2 Comparative information has been restated to conform to presentation in the current year and to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

3 Includes discontinued operations. For the cash flows from discontinued operations refer to Note 11.3.

4 Amounts paid to controlled entities are presented in line with how they are managed and settled.

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

Notes to the financial statements

For the year ended 30 June 2021

1. Overview

1.1 General information, basis of accounting, changes in accounting policies

General information

The Financial Report of the Commonwealth Bank of Australia (the Bank) and the Bank and its subsidiaries (the Group) for the year ended 30 June 2021, was approved and authorised for issue by the Board of Directors on 11 August 2021. The Directors have the power to amend and reissue the financial statements.

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

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

On 1 November 2019, the Group announced the implementation of a joint cooperation agreement (JCA) which resulted in the full economic interests associated with CommInsure Life being transferred to AIA, and AIA obtaining direct management and control of the business (excluding the Group's 37.5% equity interest in BoCommLife Insurance Company Limited (BoCommLife)). As a result, CommInsure Life (excluding BoCommLife) was deconsolidated and derecognised on 1 November 2019. The sale was completed via a statutory asset transfer on 1 April 2021.

On 28 April 2020, the Group announced the sale of its subsidiary, Australian Investment Exchange Limited (AUSIEX), to Nomura Research Institute (NRI). The sale completed on 3 May 2021.

On 13 May 2020, the Group entered into an agreement to sell a 55% interest in Colonial First State (CFS) to KKR. The sale is subject to regulatory approvals and is expected to complete in the second half of calendar year 2021.

On 4 June 2020, the Group completed the sale of its 80% interest in its Indonesian life insurance business, PT Commonwealth Life (PTCL), to FWD Group (FWD). As part of the sale, CBA's Indonesian banking subsidiary, PT Bank Commonwealth (PTBC), has entered into a 15 year life insurance distribution partnership with FWD.

The Group ceased providing licensee services through Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) in March 2020 and through Financial Wisdom Limited (Financial Wisdom) in June 2020.

On 10 December 2020, the Group completed the sale of its 37.5% equity interest in BoCommLife to MS&AD Insurance Group Holdings, Inc., the ultimate parent company of Mitsui Sumitomo Insurance Co.

On 16 December 2020, the Group announced that it had entered into an agreement to merge Aussie Home Loans with Lendi Pty Ltd (Lendi). The transaction completed on 3 May 2021.

On 21 June 2021, the Group announced the sale of CommInsure General Insurance to Hollard Insurance Company Pty Ltd (Hollard). The sale is subject to Australian regulatory approvals and other conditions, and is expected to complete in mid-calendar year 2022.

CFS and the Group's interest in BoCommLife have been classified as discontinued operations in the Group's financial statements for the year ended 30 June 2021. The assets and liabilities of CFS are classified as held for sale as at 30 June 2021.

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

Basis of accounting

The Financial Report:

- is a general purpose financial report;
- has been prepared in accordance with the Australian Accounting interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth);
- is presented in Australian dollars, which is the Bank's functional and presentation currency, with all values rounded to the nearest million dollars ($M) in accordance with ASIC Corporations Instrument 2016/191 unless otherwise indicated;
- includes foreign currency transactions that are translated into the functional currency, using the exchange rates prevailing at the date of each transaction;
- has been prepared on a going concern basis using a historical cost basis, except for certain assets and liabilities (including derivative instruments) measured at fair value;
- presents assets and liabilities on the face of the Balance Sheets in decreasing order of liquidity;
- where required, presents restated comparative information for consistency with the current year's presentation in the Financial Report; and
- contains accounting policies that have been consistently applied to all periods presented, unless otherwise stated.

Notes to the financial statements
For the year ended 30 June 2021

1.1 General information, basis of accounting, changes in accounting policies (continued)

Impact of coronavirus (COVID-19)

The COVID-19 pandemic and the measures undertaken to contain it continue to impact the global economic outlook. The impact of COVID-19 continues to evolve and remains a source of estimation uncertainty. The Group has carefully considered its impact in preparing the financial statements for the year ended 30 June 2021, including the application of critical estimates and judgements. The key impacts on the financial statements are discussed below.

Provisions for impairment

The Group's AASB 9 impairment methodology remains unchanged but the Group has incorporated estimates, assumptions and judgements specific to the impact of COVID-19 in the measurement of expected credit losses (ECL). Refer to Note 3.2.

Assessment of impairment of non-financial assets

The Group assessed Property, plant and equipment, right-of-use assets, and assets held as lessor for indicators of impairment. Due to the prolonged impact of COVID-19 on the global aviation sector and the protraction of international travel restrictions, an impairment loss of $112 million was recognised during the year ended 30 June 2021 (30 June 2020: $81 million), and is presented within Other banking income. In determining the value in use of the aircraft, the Group incorporates the cash inflows over the lease term, as well as the expected selling price on expiry of the lease. Continued market disruption across the aviation industry, lower demand for used aircraft, and a decline in asset prices, resulted in a reduction in the assets' expected recoverable values below their carrying values. There remains significant uncertainty regarding the severity of the impact of COVID-19 on the aviation sector, and the duration of restrictions on international travel.

As there is a higher than usual degree of uncertainty associated with these assumptions and estimates, actual outcomes may differ to those forecast which may impact the accounting estimates included in these financial statements.

Changes in comparatives

Discontinued operations

The financial results of businesses reclassified as discontinued operations are excluded from the results of the continuing operations and are presented as a single line item Net profit/(loss) after tax from discontinued operations in the Income Statement, and Other comprehensive income/(expense) from discontinued operations in the Statement of Comprehensive Income.

The Income Statements and the Statements of Comprehensive Income for comparative periods are also restated. Assets and liabilities of discontinued operations subject to disposal have been presented on the Balance Sheet separately as assets and liabilities held for sale. The Balance Sheet is not restated when a business is reclassified as a discontinued operation.

Re-segmentation

During the year ended 30 June 2021, the Group made a number of structural changes to its operating segments. This includes the transfer of Commonwealth Private out of the Business Banking division and consolidation into the Retail Banking Services division in order to better serve our customers, and align distribution channels and core product offerings. There were also other re-segmentations, allocations and reclassifications, including refinements to the allocation of support units and other costs. These changes have not impacted the Group's net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments. These changes have been applied retrospectively.

Prior period restatements

During the year ended 30 June 2021, the Group implemented the following changes that were applied retrospectively and impacted the prior years' financial statements:

- the Group performed a review of the historic accounting treatment of a transaction product arrangement comprised of both loan and deposit balances and concluded that, under AASB 132 *Financial Instruments: Presentation*, the credit balances cannot be netted against the debit balances drawn under the arrangement;
- the Group revised its allocation approach for certain centrally incurred costs impacting continuing and discontinued operations; and
- as part of its broad review of employee entitlements discussed in Note 7.1, the Group finalised remediation amounts required to be paid to impacted employees in relation to a number of historic employee entitlements calculations.

The impact of these changes on the prior years' financial statements of the Group and the Bank was as follows:

- an increase in loans, bills discounted and other receivables as at 30 June 2020 and 2019 of $1,433 million and $1,380 million, respectively;
- an increase in deposits and public borrowings as at 30 June 2020 and 2019 of $1,433 million and $1,380 million, respectively;
- an increase in provisions as at 30 June 2020 and 2019 of $53 million and $46 million, respectively;
- an increase in deferred tax asset as at 30 June 2020 and 2019 of $15 million and $13 million, respectively;
- an increase in the Group's operating expenses for the years ended 30 June 2020 and 2019 of $48 million and $67 million, respectively (Bank: an increase in operating expenses for the years ended 30 June 2020 and 2019 of $7 million);
- a decrease in the Group's income tax expense for the years ended 30 June 2020 and 2019 of $14 million and $20 million, respectively (Bank: a decrease in income tax expense for the years ended 30 June 2020 and 2019 of $2 million);
- an increase in the Group's net profit from discontinued operations after tax for the years ended 30 June 2020 and 2019 of $29 million and $42 million, respectively; and
- a decrease in the Group's and the Bank's retained earnings as at 1 July 2018 of $28 million.

Where relevant, comparative information has been restated and changes have been footnoted throughout the financial statements.

Notes to the financial statements
For the year ended 30 June 2021

1.1 General information, basis of accounting, changes in accounting policies (continued)

Changes in accounting policies

Software-as-a-Service (SaaS) arrangements

During the year ended 30 June 2021, the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing software-as-a-service (SaaS) arrangements with cloud providers. The change in accounting policy resulted from the implementation of agenda decisions issued by the IFRS Interpretations Committee (IFRIC) clarifying its interpretation of how current accounting standards apply to these types of arrangements.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

The change has been applied retrospectively and impacted the prior year financial statements of the Group and the Bank as follows:

- a decrease in the Group's intangible assets as at 30 June 2020 of $53 million (Bank: a decrease of $43 million);
- an increase in the Group's deferred tax assets as at 30 June 2020 of $16 million (Bank: an increase of $13 million);
- an increase in the Group's operating expenses for the year ended 30 June 2020 of $53 million (Bank: an increase of $43 million); and
- a decrease in the Group's tax expense for the year ended 30 June 2020 of $16 million (Bank: a decrease of $13 million).

Where relevant, comparative information has been restated and changes have been footnoted throughout the financial statements.

Adoption of amendments to existing standards

The following amendments to existing standards were adopted during the current year but did not have an impact on the Group:

- AASB 3 *Business Combinations* was amended to clarify the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition;
- AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* was amended, together with consequential amendments to other standards, in order to clarify and use a consistent definition of materiality;
- The *Revised Conceptual Framework for Financial Reporting* covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. Its purpose is to assist the IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place, and to assist all parties to understand and interpret the standards; and
- In line with early adopting COVID-19-related rent concession amendments to AASB 16 *Leases* in the prior financial year, the Group elected to early adopt subsequent editorial and transitional relief amendments relating to these arrangements.

Other minor amendments to existing standards were adopted in the current reporting period.

2. Our performance

OVERVIEW

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

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

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

Our Performance section provides details of the main contributors to the Group's returns and analysis of its financial performance by business segments and geographic regions.

2.1 Net interest income

	Group			Bank	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 21 $M	30 Jun 20 $M
Interest income					
Effective interest income:					
Loans and bills discounted	**23,919**	28,144	31,449	**21,229**	24,830
Other financial institutions	**16**	110	181	**13**	105
Cash and liquid assets	**59**	356	572	**49**	335
Investment securities:					
At amortised cost	**48**	114	199	**48**	114
At fair value through Other Comprehensive Income	**406**	1,002	1,688	**353**	911
Controlled entities	**–**	–	–	**108**	356
Total effective interest income	**24,448**	29,726	34,089	**21,800**	26,651
Other:					
Assets at fair value through Income Statement	**210**	436	620	**210**	436
Controlled entities	**–**	–	–	**31**	49
Total other interest income	**210**	436	620	**241**	485
Total interest income	**24,658**	30,162	34,709	**22,041**	27,136
Interest expense					
Deposits	**3,641**	7,304	9,965	**2,799**	5,851
Other financial institutions	**57**	391	464	**56**	382
Liabilities at fair value through Income Statement	**37**	74	172	**25**	66
Term funding from central banks	**43**	–	–	**43**	–
Debt issues	**960**	2,529	4,563	**603**	1,877
Loan capital	**661**	825	951	**650**	811
Lease liabilities	**82**	71	–	**72**	63
Bank levy	**338**	358	370	**338**	358
Controlled entities	**–**	–	–	**965**	1,252
Total interest expense	**5,819**	11,552	16,485	**5,551**	10,660
Net interest income	**18,839**	18,610	18,224	**16,490**	16,476

Notes to the financial statements

For the year ended 30 June 2021

2.1 Net interest income (continued)

ACCOUNTING POLICIES

Interest income and interest expense on financial assets and liabilities measured at amortised cost, and debt financial assets measured at fair value through OCI, are recognised using the effective interest method. Interest income recognition for these categories of financial assets depends on the expected credit losses (ECL) stage they are allocated to in accordance with the Group's ECL methodology. For financial assets classified within Stage 1 and Stage 2 interest income is calculated by applying the effective interest rate to the gross carrying amount of the assets. Interest income on financial assets in Stage 3 is recognised by applying the effective interest rate to the gross carrying amount net of provisions for impairment. For details on the Group's ECL methodology refer to Note 3.2.

Fees, transaction costs and issue costs integral to financial assets and liabilities are capitalised and included in the interest recognised over the expected life of the instrument. This includes fees for providing a loan or a lease arrangement.

Interest income on finance leases is recognised progressively over the life of the lease, consistent with the outstanding investment and unearned income balance.

Interest income and expense on financial assets and liabilities that are classified at fair value through the Income Statement are accounted for on a contractual rate basis and include amortisation of premium/discounts.

Interest expense also includes payments made under a liquidity facility arrangement with the Reserve Bank of Australia, the Major Bank Levy (Bank Levy) expense and other financing charges.

Notes to the financial statements

For the year ended 30 June 2021

2.2 Average balances and related interest

The following tables have been produced using statutory Balance Sheet and Income Statement categories. The tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the full years ended 30 June 2021, 30 June 2020 and 30 June 2019. Interest is accounted for based on product yield. Where assets or liabilities are hedged, the amounts are shown net of the hedge, but individual items not separately hedged may be affected by movements in exchange rates and interest rates. The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Non-accrual loans are included in interest earning assets under Loans, bills discounted and other receivables. During the year ended 30 June 2021, the official cash rate in Australia decreased by 15 basis points on a spot basis, while the official cash rate in New Zealand remained unchanged (2020: 100 basis points decrease for Australia and 125 basis points decrease for New Zealand, 2019: 25 basis points decrease for both Australia and New Zealand).

	Group								
	30 Jun 21			30 Jun 20			30 Jun 19		
Interest earning assets	**Average balance $M**	**Interest $M**	**Average rate %**	**Average balance $M**	**Interest $M**	**Average rate %**	**Average balance $M**	**Interest $M**	**Average rate %**
Cash and liquid assets									
Australia	**34,057**	**38**	**0. 1**	23,468	244	1. 0	18,415	367	2. 0
Overseas	**23,271**	**21**	**0. 1**	22,539	112	0. 5	20,238	205	1. 0
Receivables from financial institutions									
Australia	**2,287**	**(3)**	**(0. 1)**	2,461	38	1. 5	2,095	52	2. 5
Overseas	**4,401**	**19**	**0. 4**	6,420	72	1. 1	5,799	129	2. 2
Assets at fair value through Income Statement									
Australia	**35,215**	**209**	**0. 6**	34,237	422	1. 2	31,895	609	1. 9
Overseas	**4,392**	**1**	**–**	2,070	14	0. 7	822	11	1. 3
Investment Securities:									
At amortised cost									
Australia	**4,443**	**48**	**1. 1**	6,272	114	1. 8	6,887	199	2. 9
Overseas	**2**	**–**	**0. 2**	6	–	0. 6	5	–	0. 6
At fair value through OCI									
Australia	**66,473**	**320**	**0. 5**	56,929	716	1. 3	57,088	1,329	2. 3
Overseas	**19,977**	**86**	**0. 4**	19,996	286	1. 4	18,640	359	1. 9
Loans, bills discounted and other receivables [1]									
Australia [2]	**627,669**	**20,231**	**3. 2**	614,980	23,563	3. 8	603,394	26,524	4. 4
Overseas	**107,659**	**3,688**	**3. 4**	108,031	4,581	4. 2	106,140	4,925	4. 6
Total interest earning assets and interest income	**929,846**	**24,658**	**2. 7**	897,409	30,162	3. 4	871,418	34,709	4. 0

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

2 Net of average mortgage and other offset balances that are included in Non-interest earning assets. Average mortgage offset balance for the year ended 30 June 2021 was $56,675 million (30 June 2020: $48,807 million; 30 June 2019: $45,175 million). While the balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the Group's net interest margin.

Notes to the financial statements
For the year ended 30 June 2021

2.2 Average balances and related interest (continued)

	Group [1]		
	30 Jun 21	30 Jun 20	30 Jun 19
	Average balance	Average balance	Average balance
Non-interest earning assets	**$M**	**$M**	**$M**
Property, plant and equipment			
Australia	**4,846**	4,577	2,208
Overseas	**537**	597	244
Other assets			
Australia [2]	**101,995**	87,461	80,525
Overseas	**8,061**	10,236	10,175
Provisions for impairment			
Australia	**(5,543)**	(4,561)	(4,026)
Overseas	**(870)**	(613)	(599)
Total non-interest earning assets	**109,026**	97,697	88,527
Assets held for sale			
Australia	**1,457**	5,383	15,128
Overseas	**–**	691	1,829
Total assets	**1,040,329**	1,001,180	976,902
Percentage of total assets applicable to overseas operations (%)	**16. 1**	17. 0	16. 7

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

2 For the purpose of reconciling of total average assets, other assets include average mortgage and other offset balances as these balances were excluded from average loans and interest earning assets. Average mortgage offset balance for the year ended 30 June 2021 was $56,675 million (30 June 2020: $48,807 million; 30 June 2019: $45,175 million).

Notes to the financial statements

For the year ended 30 June 2021

2.2 Average balances and related interest (continued)

	Group [1]								
	30 Jun 21			30 Jun 20			30 Jun 19		
Interest bearing liabilities	**Average balance $M**	**Interest $M**	**Average rate %**	**Average balance $M**	**Interest $M**	**Average rate %**	**Average balance $M**	**Interest $M**	**Average rate %**
Time deposits									
Australia [2]	**166,816**	**1,979**	**1.2**	192,668	3,896	2.0	203,750	5,181	2.5
Overseas	**48,903**	**723**	**1.5**	56,599	1,589	2.8	53,836	1,746	3.2
Savings deposits									
Australia [2]	**191,923**	**441**	**0.2**	159,732	950	0.6	144,401	1,588	1.1
Overseas	**20,290**	**186**	**0.9**	15,655	146	0.9	14,335	167	1.2
Other demand deposits									
Australia	**151,957**	**230**	**0.2**	126,657	601	0.5	114,478	1,151	1.0
Overseas	**12,241**	**82**	**0.7**	9,910	122	1.2	8,765	132	1.5
Payables to financial institutions									
Australia	**7,555**	**17**	**0.2**	10,640	164	1.5	8,852	221	2.5
Overseas	**6,961**	**40**	**0.6**	14,258	227	1.6	12,709	243	1.9
Liabilities at fair value through Income Statement									
Australia	**2,891**	**26**	**0.9**	5,090	66	1.3	9,372	162	1.7
Overseas	**3,553**	**11**	**0.3**	700	8	1.1	1,054	10	0.9
Term funding from central banks									
Australia	**18,449**	**43**	**0.2**	19	–	–	–	–	–
Overseas	**197**	**–**	**–**	–	–	–	–	–	–
Debt issues [3]									
Australia	**98,397**	**756**	**0.8**	129,461	2,106	1.6	140,447	3,846	2.7
Overseas	**16,534**	**204**	**1.2**	23,499	423	1.8	26,676	717	2.7
Loan capital									
Australia	**20,693**	**500**	**2.4**	18,066	608	3.4	15,655	668	4.3
Overseas	**6,446**	**161**	**2.5**	6,439	217	3.4	6,785	283	4.2
Lease liabilities [4]									
Australia	**2,828**	**71**	**2.5**	2,232	60	2.7	–	–	–
Overseas	**333**	**11**	**3.3**	357	11	3.1	–	–	–
Bank levy									
Australia	**–**	**338**	**–**	–	358	–	–	370	–
Overseas	**–**	**–**	**–**	–	–	–	–	–	–
Total interest bearing liabilities and interest expense	**776,967**	**5,819**	**0.7**	771,982	11,552	1.5	761,115	16,485	2.2

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

2 Net of average mortgage and other offset balances that are included in Non-interest bearing liabilities.

3 Debt issues include bank acceptances.

4 Interest expense for the years ended 30 June 2021 and 2020 reflects the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16 comparative information was not restated.

Notes to the financial statements
For the year ended 30 June 2021

2.2 Average balances and related interest (continued)

	Group [1]		
	30 Jun 21	30 Jun 20	30 Jun 19
	Average balance	Average balance	Average balance
Non-interest bearing liabilities	$M	$M	$M
Deposits not bearing interest			
Australia [2]	**141,038**	106,664	92,672
Overseas	**9,421**	6,301	4,897
Other liabilities			
Australia	**27,953**	29,181	25,561
Overseas	**9,100**	11,193	9,430
Total non-interest bearing liabilities	**187,512**	153,339	132,560
Liabilities held for sale			
Australia	**658**	4,515	13,855
Overseas	**–**	502	1,025
Total liabilities	**965,137**	930,338	908,555
Shareholders' Equity	**75,192**	70,842	68,347
Total liabilities and Shareholders' Equity	**1,040,329**	1,001,180	976,902
Percentage of total liabilities applicable to overseas operations (%)	**13. 9**	15. 6	15. 4

1 Comparative information has been restated to conform to presentation in the current year.
2 Includes average mortgage and other offset balances.

Changes in Net interest income: volume and rate analysis

The following tables show the movement in interest income and expense due to changes in volume and interest rates. Volume variances reflect the change in interest from the prior year due to movement in the average balance. Rate variances reflect the change in interest from the prior year due to changes in interest rates. Volume and rate variance for total interest earning assets and interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

	June 2021 vs June 2020			June 2020 vs June 2019		
Changes in net interest income:	Volume	Rate	Total	Volume	Rate	Total
Volume and rate analysis	$M	$M	$M	$M	$M	$M
Interest earning assets						
Cash and liquid assets						
Australia	**12**	**(218)**	**(206)**	53	(176)	(123)
Overseas	**1**	**(92)**	**(91)**	11	(104)	(93)
Receivables from financial institutions						
Australia	**–**	**(41)**	**(41)**	6	(20)	(14)
Overseas	**(9)**	**(44)**	**(53)**	7	(64)	(57)
Assets at fair value through Income Statement						
Australia	**6**	**(219)**	**(213)**	29	(216)	(187)
Overseas	**1**	**(14)**	**(13)**	8	(5)	3
Investment securities:						
At amortised cost						
Australia	**(20)**	**(46)**	**(66)**	(11)	(74)	(85)
Overseas	**–**	**–**	**–**	–	–	–
At fair value through OCI						
Australia	**46**	**(442)**	**(396)**	(2)	(611)	(613)
Overseas	**–**	**(200)**	**(200)**	19	(92)	(73)
Loans, bills discounted and other receivables						
Australia	**409**	**(3,741)**	**(3,332)**	444	(3,405)	(2,961)
Overseas	**(13)**	**(880)**	**(893)**	80	(424)	(344)
Changes in interest income	**860**	**(6,364)**	**(5,504)**	874	(5,421)	(4,547)

Notes to the financial statements

For the year ended 30 June 2021

2.2 Average balances and related interest (continued)

Changes in net interest income: Volume and rate analysis	June 2021 vs June 2020 Volume $M	Rate $M	Total $M	June 2020 vs June 2019 Volume $M	Rate $M	Total $M
Interest bearing liabilities and loan capital						
Time deposits						
Australia	**(307)**	**(1,610)**	**(1,917)**	(224)	(1,061)	(1,285)
Overseas	**(114)**	**(752)**	**(866)**	78	(235)	(157)
Savings deposits						
Australia	**74**	**(583)**	**(509)**	91	(729)	(638)
Overseas	**42**	**(2)**	**40**	12	(33)	(21)
Other demand deposits						
Australia	**38**	**(409)**	**(371)**	58	(608)	(550)
Overseas	**16**	**(56)**	**(40)**	14	(24)	(10)
Payables to financial institutions						
Australia	**(7)**	**(140)**	**(147)**	28	(85)	(57)
Overseas	**(42)**	**(145)**	**(187)**	25	(41)	(16)
Liabilities at fair value through Income Statement						
Australia	**(20)**	**(20)**	**(40)**	(56)	(40)	(96)
Overseas	**9**	**(6)**	**3**	(4)	2	(2)
Term funding from centrals banks						
Australia	**43**	**–**	**43**	–	–	–
Overseas	**–**	**–**	**–**	–	–	–
Debt issues						
Australia	**(239)**	**(1,111)**	**(1,350)**	(179)	(1,561)	(1,740)
Overseas	**(86)**	**(133)**	**(219)**	(57)	(237)	(294)
Loan capital						
Australia	**64**	**(172)**	**(108)**	81	(141)	(60)
Overseas	**–**	**(56)**	**(56)**	(12)	(54)	(66)
Lease liabilities						
Australia	**15**	**(4)**	**11**	60	–	60
Overseas	**(1)**	**1**	**–**	11	–	11
Bank levy						
Australia	**–**	**(20)**	**(20)**	–	(12)	(12)
Overseas	**–**	**–**	**–**	–	–	–
Changes in interest expense	**37**	**(5,770)**	**(5,733)**	163	(5,096)	(4,933)
Changes in net interest income	**606**	**(377)**	**229**	539	(153)	386

Notes to the financial statements

For the year ended 30 June 2021

2.3 Other operating income

	Group			Bank	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 21 $M	30 Jun 20 $M
Other banking income					
Commissions	**2,564**	2,557	2,677	**2,053**	2,148
Lending fees	**1,128**	986	992	**1,064**	904
Trading income	**852**	940	853	**743**	822
Net gain/(loss) on non-trading financial instruments [1]	**23**	139	(113)	**(322)**	29
Net (loss)/gain on sale of property, plant and equipment	**(4)**	32	(9)	**(4)**	11
Net gain/(loss) from hedging ineffectiveness	**39**	(14)	13	**32**	(93)
Dividends - Controlled entities [2]	**–**	–	–	**1,185**	4,721
Dividends - Other	**2**	3	5	**66**	88
Share of profit from associates and joint ventures net of impairment	**599**	170	296	**6**	49
Other [3, 4]	**62**	189	163	**329**	475
Total other banking income	**5,265**	5,002	4,877	**5,152**	9,154
Funds management income	**180**	196	292	**–**	–
Claims, policyholder liability and commission expense	**(15)**	(23)	(38)	**–**	–
Net funds management operating income	**165**	173	254	**–**	–
Net insurance operating income					
Premiums from insurance contracts	**695**	698	682	**–**	–
Investment revenue	**–**	2	5	**–**	–
Claims, policyholder liability and commission expense from insurance contracts	**(550)**	(559)	(537)	**–**	–
Net insurance operating income	**145**	141	150	**–**	–
Total other operating income	**5,575**	5,316	5,281	**5,152**	9,154

1 Includes gains/(losses) on non-trading derivatives that are held for risk management purposes.

2 Prior year includes $2,327 million dividend from the repatriation of ASB Bank Limited retained profits. During the prior year, the Bank increased its investment in ASB Bank Limited by $2,327 million.

3 Includes depreciation of $75 million in relation to assets held for lease as lessor by the Group (30 June 2020: $83 million; 30 June 2019: $72 million). Includes depreciation of $6 million in relation to assets held for lease as lessor by the Bank (30 June 2020: $6 million).

4 Current year includes a $112 million impairment loss (30 June 2020: $92 million) recognised by the Group in relation to certain aircraft owned by the Group and leased to various airlines. The impairment loss was driven by the impact of COVID-19 on the aviation sector.

2.3 Other operating income (continued)

ACCOUNTING POLICIES

Lending fees and commission income are accounted for as follows:

- facility fees earned for managing and administering credit and other facilities for customers are generally charged to the customer on a monthly or annual basis and are recognised as revenue over the service period. Annual fees are deferred on the Balance Sheet in Bills payable and other liabilities and recognised on a straight-line basis over the year. Transaction based fees are charged and recognised at the time of the transaction;
- commitment fees and fees in relation to guarantee arrangements are deferred and recognised over the life of the contractual arrangements;
- fee income is earned for providing advisory or arrangement services, placement and underwriting services. These fees are recognised and charged when the related service is completed which is typically at the time of the transaction; and
- trail commissions are recognised at the start of a contract when the performance obligation has been met, typically when a customer is introduced to a new product. The Group recognises the net present value of expected future trail commission income. For investment referral services, the Group is unable to forecast the trail commission revenue in line with the highly probable test in AASB 15. Therefore, trail commission revenue on investment referral balances is recognised when received or paid.

Establishment fees on financing facilities are deferred and amortised to interest income over the expected life of the loan and are not recognised when the commitment is issued.

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

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

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

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

Dividends received on non-trading equity investments are recognised on the ex-dividend date or when the right to receive payment is established.

Funds management fees are recognised over the service period as the performance obligation is met and when it is probable that the revenue will be received.

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

The Group equity accounts for its share of the profits or losses of associate or joint venture investments, net of impairment recognised. Dividends received are recognised as a reduction of the investment carrying amount.

Other income includes rental income on operating leases which is recognised on a straight-line basis over the lease term. This is offset by depreciation and impairment expense on the associated operating lease assets held by the Group.

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

Critical accounting judgements and estimates

The amount of trail commission revenue is dependent on assumptions about the behavioural life of the underlying transaction generating the commission. Trail commission income is only recognised to the extent it is highly probable it will not reverse in future periods.

Notes to the financial statements
For the year ended 30 June 2021

2.4 Operating expenses

	Group [1]			Bank [1]	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 21 $M	30 Jun 20 $M
Staff expenses					
Salaries and related on-costs	**5,506**	5,248	5,231	**4,983**	4,778
Share-based compensation	**100**	103	96	**102**	107
Superannuation	**442**	409	385	**433**	403
Total staff expenses	**6,048**	5,760	5,712	**5,518**	5,288
Occupancy and equipment expenses					
Lease expenses [2]	**166**	165	644	**166**	153
Depreciation of property, plant and equipment	**756**	726	270	**671**	651
Other occupancy expenses	**236**	167	173	**202**	139
Total occupancy and equipment expenses	**1,158**	1,058	1,087	**1,039**	943
Information technology services					
Application maintenance and development	**870**	662	625	**917**	709
Data processing	**187**	182	183	**183**	177
Desktop	**149**	118	142	**149**	102
Communications	**174**	192	217	**159**	178
Amortisation of software assets [3]	**530**	918	585	**462**	862
Software write-offs	**9**	14	13	**–**	14
IT equipment depreciation	**129**	133	93	**111**	118
Total information technology services	**2,048**	2,219	1,858	**1,981**	2,160
Other expenses					
Postage and stationery	**136**	148	156	**127**	142
Transaction processing and market data	**138**	135	146	**122**	119
Fees and commissions:					
Professional fees	**528**	404	492	**505**	374
Other	**244**	262	232	**78**	79
Advertising, marketing and loyalty	**412**	424	443	**315**	326
Amortisation of intangible assets (excluding software and merger related amortisation)	**5**	5	10	**–**	–
Non-lending losses [4]	**509**	563	615	**455**	541
Impairment on investments in subsidiaries	**–**	–	–	**–**	405
Other	**133**	18	140	**149**	127
Total other expenses	**2,105**	1,959	2,234	**1,751**	2,113
Operating expenses before restructuring, separation and transaction costs	**11,359**	10,996	10,891	**10,289**	10,504
Restructuring, separation and transaction costs	**126**	34	104	**231**	290
Total operating expenses [5]	**11,485**	11,030	10,995	**10,520**	10,794

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

2 Current year includes rentals of $87 million in relation to short-term leases and low value leases (30 June 2020: $86 million), and variable lease payments based on usage or performance of $50 million (30 June 2020: $44 million).

3 Current year includes $117 million of amortisation of prepaid software licences (30 June 2020: $170 million; 30 June 2019: $161 million). The year ended 30 June 2020 includes approximately a $220 million one-off impact of accelerated amortisation following a review of the amortisation method and useful lives of certain technology assets.

4 The year ended 30 June 2019 includes $145 million professional indemnity insurance recovery in relation to AUSTRAC civil penalty.

5 Current year includes $326 million of additional costs, including provisions, for historical Aligned Advice remediation issues and associated program costs (30 June 2020: $300 million; 30 June 2019: $534 million), and $249 million for Banking, other Wealth and employee related remediation, and litigation provisions (30 June 2020: $161 million; 30 June 2019: $308 million).

Notes to the financial statements

For the year ended 30 June 2021

2.4 Operating expenses (continued)

ACCOUNTING POLICIES

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

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

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

Occupancy and equipment expenses include depreciation which is calculated using the straight-line method over the asset’s estimated useful life. The right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within depreciation of Property, plant and equipment.

IT services expenses are recognised as incurred when the related services are delivered, unless they qualify for capitalisation as computer software because they are identifiable and controlled in a way that allows future economic benefits to be obtained and others' access to those benefits can be restricted. Capitalised computer software assets are amortised over their estimated useful life.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider’s application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems and meets the recognition criteria for an intangible asset.

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

Other expenses are recognised as the relevant service is rendered. Operating expenses related to provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated.

Critical accounting judgements and estimates

Actuarial valuations of the Group’s defined benefit superannuation plans’ obligations are dependent on a series of assumptions set out in Note 10.2, including inflation rates, discount rates and salary growth rates. Changes in these assumptions impact the fair value of the plans’ obligations, assets, superannuation expense and actuarial gains and losses recognised in other comprehensive income.

Measurements of the Group’s share-based compensation is dependent on assumptions, including grant date fair values. Information on these is set out in Note 10.1.

Refer to Note 6.2 for more information on the judgements and estimates associated with goodwill.

Notes to the financial statements
For the year ended 30 June 2021

2.5 Income tax expense

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

	Group [1]			Bank [1]	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 21 $M	30 Jun 20 $M
Profit before income tax	**12,375**	10,378	11,309	**10,597**	12,681
Prima facie income tax at 30%	**3,713**	3,113	3,393	**3,179**	3,804
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:					
Taxation offsets and other dividend adjustments	**–**	–	–	**(375)**	(1,416)
Offshore tax rate differential	**(43)**	(16)	(40)	**(10)**	7
Offshore banking unit	**(2)**	(19)	(32)	**(14)**	(20)
Effect of changes in tax rates	**11**	–	1	**10**	–
Income tax under/(over) provided in previous years	**24**	(53)	(101)	**20**	(39)
Loss on disposals	**(122)**	(74)	–	**(191)**	(5)
Other	**(49)**	39	34	**69**	216
Total income tax expense	**3,532**	2,990	3,255	**2,688**	2,547
Effective tax rate (%)	**28. 5**	28. 8	28. 8	**25. 4**	20. 1

	Group [1]			Bank [1]	
Income tax expense attributable to profit from ordinary activities	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 21 $M	30 Jun 20 $M
Australia					
Current tax expense	**3,122**	3,005	3,092	**2,713**	2,963
Deferred tax benefit	**(119)**	(572)	(382)	**(177)**	(646)
Total Australia	**3,003**	2,433	2,710	**2,536**	2,317
Overseas					
Current tax expense	**568**	577	464	**185**	161
Deferred tax (benefit)/expense	**(39)**	(20)	81	**(33)**	69
Total Overseas	**529**	557	545	**152**	230
Income tax expense attributable to profit from ordinary activities	**3,532**	2,990	3,255	**2,688**	2,547

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

Notes to the financial statements

For the year ended 30 June 2021

2.5 Income tax expense (continued)

	Group [1]			Bank [1]	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 21 $M	30 Jun 20 $M
Deferred tax asset balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement and opening retained profits:					
Lease liability	**977**	952	–	**906**	882
Provision for employee benefits	**509**	488	440	**437**	433
Provisions for impairment on loans, bills discounted and other receivables	**1,729**	1,758	1,345	**1,572**	1,580
Other provisions not tax deductible until expense incurred	**928**	674	497	**726**	592
Defined benefit superannuation plan	**371**	360	357	**371**	360
Unearned income	**206**	221	250	**206**	221
Intangible assets	**179**	199	76	**179**	198
Other	**228**	216	236	**156**	110
Total amount recognised in the Income Statement and opening retained profits	**5,127**	4,868	3,201	**4,553**	4,376
Amounts recognised directly in Other Comprehensive Income:					
Cash flow hedge reserve	**133**	117	142	**4**	16
Other reserves	**59**	176	41	**79**	180
Total amount recognised directly in Other Comprehensive Income	**192**	293	183	**83**	196
Total deferred tax assets (before set off)	**5,319**	5,161	3,384	**4,636**	4,572
Set off to tax	**(3,252)**	(3,070)	(1,694)	**(2,875)**	(2,575)
Net deferred tax assets	**2,067**	2,091	1,690	**1,761**	1,997
Deferred tax liability balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement and opening retained profits:					
Right-of-use assets	**880**	875	–	**815**	809
Lease financing relating to lessor activities	**135**	137	162	**89**	90
Intangible assets	**56**	66	68	**56**	56
Financial instruments	**4**	13	3	**6**	16
Investments in associates	**202**	170	148	**–**	–
Other	**301**	257	106	**49**	78
Total amount recognised in the Income Statement and opening retained profits	**1,578**	1,518	487	**1,015**	1,049
Amounts recognised directly in Other Comprehensive Income:					
Revaluation of properties	**88**	84	82	**93**	89
Foreign currency translation reserve	**25**	28	36	**–**	–
Cash flow hedge reserve	**321**	787	481	**309**	784
Defined benefit superannuation plan	**513**	502	487	**513**	502
Investment securities revaluation reserve	**955**	181	121	**945**	181
Total amount recognised directly in Other Comprehensive Income	**1,902**	1,582	1,207	**1,860**	1,556
Total deferred tax liabilities (before set off)	**3,480**	3,100	1,694	**2,875**	2,605
Set off to tax	**(3,252)**	(3,070)	(1,694)	**(2,875)**	(2,575)
Net deferred tax liabilities	**228**	30	–	**–**	30

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

Notes to the financial statements
For the year ended 30 June 2021

2.5 Income tax expense (continued)

As at 30 June 2021, the Group had unused tax losses of $39 million (30 June 2020: $25 million) and the Bank $33 million (30 June 2020: $25 million). Of this, $6 million will expire on 31 December 2021 and the remaining tax losses of $33 million do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these tax losses because it is not considered probable that future taxable profit will be available against which they can be realised.

Tax consolidation

The Bank has recognised a tax consolidation contribution to the wholly-owned tax consolidated entity of $96 million (30 June 2020: $98 million).

The amount receivable by the Bank under the tax funding agreement was $200 million as at 30 June 2021 (30 June 2020: $209 million). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

ACCOUNTING POLICIES

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

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

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

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

The Group recognised and disclosed separate deferred tax assets and deferred tax liabilities arising from arrangements where the Group is lessee. Deferred tax assets and liabilities are offset where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

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

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

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

Critical accounting judgements and estimates

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. For such uncertainties, the Group has estimated the tax provisions based on the expected outcomes. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available for it to be used against.

Notes to the financial statements

For the year ended 30 June 2021

2.6 Earnings per share

	Group[1, 2]		
	30 Jun 21	30 Jun 20	30 Jun 19
Earnings per ordinary share[3]	Cents per share		
Earnings per share from continuing operations:			
Basic	**499. 2**	417. 8	455. 6
Diluted	**470. 6**	404. 8	440. 7
Earnings per share:			
Basic	**574. 8**	542. 4	485. 3
Diluted	**539. 7**	521. 0	468. 3

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1. As a result, basic and diluted earnings per share from continuing operations for the year ended 30 June 2020 decreased by 4.0 cents and 3.7 cents, respectively (30 June 2019: a decrease in basic and diluted earnings per share of 2.7 cents and 2.5 cents, respectively). Basic and diluted earnings per share including discontinued operations for the year ended 30 June 2020 decreased by 2.4 cents and 2.2 cents, respectively (30 June 2019: a decrease in basic and diluted earnings per share of 0.3 cents).

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

3 EPS calculations are based on actual amounts prior to rounding to the nearest million.

	Group[1]		
Reconciliation of earnings from continuing operations used in calculation of earnings per share	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M
Profit after income tax from continuing operations	**8,843**	7,388	8,054
Less: Non-controlling interests	**–**	–	(12)
Continuing operations earnings used in calculation of basic earnings per share	**8,843**	7,388	8,042
Add: Profit impact of assumed conversions of loan capital	**260**	290	323
Continuing operations earnings used in calculation of fully diluted earnings per share	**9,103**	7,678	8,365
Reconciliation of earnings used in calculation of earnings per share			
Continuing operations earnings used in calculation of basic earnings per share	**8,843**	7,388	8,042
Discontinued operations earnings used in calculation of basic earnings per share	**1,338**	2,204	524
Earnings used in calculation of basic earnings per share	**10,181**	9,592	8,566
Add: Profit impact of assumed conversions of loan capital	**260**	290	323
Earnings used in calculation of fully diluted earnings per share	**10,441**	9,882	8,889

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

	Number of shares (in millions)		
	30 Jun 21	30 Jun 20	30 Jun 19
Weighted average number of ordinary shares used in calculation of basic earnings per share	**1,771**	1,768	1,765
Effect of dilutive securities – executive share plans and convertible loan capital instruments	**163**	127	132
Weighted average number of ordinary shares used in calculation of fully diluted earnings per share	**1,934**	1,895	1,897

ACCOUNTING POLICIES

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

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

Notes to the financial statements

For the year ended 30 June 2021

2.7 Financial reporting by segments

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

During the year ended 30 June 2021, the Group made a number of structural changes to its operating segments. This includes the transfer of Commonwealth Private out of the Business Banking division and consolidation into the Retail Banking Services division in order to better serve our customers, and align distribution channels and core product offerings. There were also other re-segmentations, allocations and reclassifications, including refinements to the allocation of support units and other costs. These changes have not impacted the Group's net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments. These changes have been applied retrospectively.

The Group's primary sources of revenue are interest and fee income (Retail Banking Services, Business Banking, Institutional Banking and Markets, New Zealand), insurance premiums (Retail Banking Services) and funds management income (Retail Banking Services, New Zealand).

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

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

(i) Retail Banking Services

Retail Banking Services provides banking and general insurance products and services to personal customers, and banking and advisory services for high net worth individuals. Retail Banking Services also includes the financial results of retail banking activities provided under the Bankwest brand. On 21 June 2021, the Group announced the sale of CommInsure General Insurance to Hollard Insurance Company Pty Ltd (Hollard).

(ii) Business Banking

Business Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions. It also provides equities trading and margin lending services through the CommSec business. Business Banking also includes the financial results of business banking activities conducted under the Bankwest brand.

(iii) Institutional Banking and Markets

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

(iv) Wealth Management

Wealth Management provides superannuation, investment and retirement products. The Group classified Wealth Management as a discontinued operation following the announcement of the sale of a 55% interest in CFS to KKR on 13 May 2020.

(v) New Zealand

New Zealand includes the banking and funds management businesses operating in New Zealand under the ASB brand. ASB provides a range of banking and wealth products and services to its personal, business, rural and corporate customers in New Zealand.

(vi) Corporate Centre and Other

Corporate Centre and Other include the results of the Group's centrally held minority investments and subsidiaries, Group-wide remediation costs, investment spend including enterprise-wide infrastructure and other strategic projects, employee entitlements, and unallocated revenue and expenses relating to the Bank's support functions including Treasury, Investor Relations, Group Strategy, Legal and Corporate Affairs and Bank-wide elimination entries arising on consolidation.

Centrally held minority investments and subsidiaries include the Group's offshore minority investments in China (Bank of Hangzhou and Qilu Bank), Vietnam (Vietnam International Bank), as well as its Indonesian banking subsidiary (PT Bank Commonwealth). They also include domestically held minority investments in Lendi Group as well as the strategic investments in x15ventures.

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

Notes to the financial statements
For the year ended 30 June 2021

2.7 Financial reporting by segments (continued)

	30 Jun 21						
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	Corporate Centre and Other $M	Wealth Management $M	Total $M
Net interest income	9,895	5,193	1,380	2,117	254	–	**18,839**
Other banking income:							
Commissions	1,136	991	154	266	17	–	**2,564**
Lending fees	205	476	380	67	–	–	**1,128**
Trading and other income	205	180	390	91	449	–	**1,315**
Total other banking income	1,546	1,647	924	424	466	–	**5,007**
Total banking income	11,441	6,840	2,304	2,541	720	–	**23,846**
Funds management income	31	–	–	140	(6)	–	**165**
Insurance income	146	–	–	–	(1)	–	**145**
Total operating income	11,618	6,840	2,304	2,681	713	–	**24,156**
Operating expenses	(4,637)	(2,649)	(983)	(1,071)	(2,019)	–	**(11,359)**
Loan impairment (expense)/benefit	(134)	(233)	(96)	5	(96)	–	**(554)**
Net profit/(loss) before income tax	6,847	3,958	1,225	1,615	(1,402)	–	**12,243**
Corporate tax (expense)/benefit	(2,041)	(1,200)	(303)	(456)	410	–	**(3,590)**
Non-controlling interests	–	–	–	–	–	–	**–**
Net profit/(loss) after tax from continuing operations - "cash basis"	4,806	2,758	922	1,159	(992)	–	**8,653**
Net profit after tax from discontinued operations	–	–	–	–	14	134	**148**
Net profit/(loss) after tax - "cash basis" [1]	4,806	2,758	922	1,159	(978)	134	**8,801**
Gain on disposal of entities net of transaction costs	187	65	2	3	305	811	**1,373**
Hedging and IFRS volatility	–	–	–	(70)	77	–	**7**
Other non-cash items	–	–	–	–	–	–	**–**
Net profit/(loss) after tax - "statutory basis"	4,993	2,823	924	1,092	(596)	945	**10,181**
Additional information							
Amortisation and depreciation	(138)	(152)	(60)	(138)	(932)	–	**(1,420)**
Balance Sheet							
Total assets	450,780	195,325	153,850	105,121	185,065	1,821	**1,091,962**
Total liabilities	305,716	193,654	180,312	97,899	227,281	8,382	**1,013,244**

1 This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility, and gains and losses on previously announced divestments including post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs.

Notes to the financial statements
For the year ended 30 June 2021

2.7 Financial reporting by segments (continued)

	30 Jun 20 [1]						
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	Corporate Centre and Other $M	Wealth Management $M	Total $M
Net interest income	9,696	5,291	1,383	1,934	306	–	**18,610**
Other banking income:							
Commissions	1,255	847	153	287	15	–	**2,557**
Lending fees	163	432	335	63	(7)	–	**986**
Trading and other income	287	210	405	25	367	–	**1,294**
Total other banking income	1,705	1,489	893	375	375	–	**4,837**
Total banking income	11,401	6,780	2,276	2,309	681	–	**23,447**
Funds management income	67	–	–	136	(30)	–	**173**
Insurance income	144	–	–	–	(3)	–	**141**
Total operating income	11,612	6,780	2,276	2,445	648	–	**23,761**
Operating expenses	(4,673)	(2,458)	(1,021)	(1,032)	(1,812)	–	**(10,996)**
Loan impairment expense	(1,034)	(784)	(353)	(292)	(55)	–	**(2,518)**
Net profit/(loss) before income tax	5,905	3,538	902	1,121	(1,219)	–	**10,247**
Corporate tax (expense)/benefit	(1,763)	(1,064)	(269)	(312)	386	–	**(3,022)**
Non-controlling interests	–	–	–	–	–	–	**–**
Net profit/(loss) after tax from continuing operations - "cash basis"	4,142	2,474	633	809	(833)	–	**7,225**
Net profit after tax from discontinued operations	–	–	–	–	16	166	**182**
Net profit/(loss) after tax - "cash basis" [2]	4,142	2,474	633	809	(817)	166	**7,407**
Gain/(loss) on disposal of entities net of transaction costs	41	(16)	–	8	161	1,898	**2,092**
Hedging and IFRS volatility	–	–	–	126	(33)	–	**93**
Other non-cash items	–	–	–	–	–	–	**–**
Net profit/(loss) after tax - "statutory basis"	4,183	2,458	633	943	(689)	2,064	**9,592**
Additional information							
Amortisation and depreciation	(194)	(189)	(68)	(124)	(1,207)	–	**(1,782)**
Balance Sheet							
Total assets	421,146	182,680	172,992	98,532	138,448	1,673	**1,015,471**
Total liabilities	284,368	160,966	187,330	91,796	210,149	8,924	**943,533**

1 Information has been restated to conform to presentation in the current year and to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

2 This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility, and gains and losses on previously announced divestments including post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs.

Notes to the financial statements
For the year ended 30 June 2021

2.7 Financial reporting by segments (continued)

	30 Jun 19 [1]						
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	Corporate Centre and Other $M	Wealth Management $M	Total $M
Net interest income	9,040	5,317	1,509	1,909	449	–	**18,224**
Other banking income	1,755	1,449	940	443	364	–	**4,951**
Total banking income	10,795	6,766	2,449	2,352	813	–	**23,175**
Funds management income	139	–	–	130	(12)	–	**257**
Insurance income	160	–	–	–	(13)	–	**147**
Total operating income	11,094	6,766	2,449	2,482	788	–	**23,579**
Operating expenses	(4,608)	(2,452)	(1,013)	(912)	(1,906)	–	**(10,891)**
Loan impairment expense	(688)	(364)	(23)	(102)	(24)	–	**(1,201)**
Net profit/(loss) before income tax	5,798	3,950	1,413	1,468	(1,142)	–	**11,487**
Corporate tax (expense)/benefit	(1,755)	(1,185)	(323)	(409)	371	–	**(3,301)**
Non-controlling interests	–	–	–	–	(12)	–	**(12)**
Net profit/(loss) after tax from continuing operations - "cash basis"	4,043	2,765	1,090	1,059	(783)	–	**8,174**
Net profit/(loss) after tax from discontinued operations	–	–	–	–	(43)	570	**527**
Net profit/(loss) after tax - "cash basis" [2]	4,043	2,765	1,090	1,059	(826)	570	**8,701**
(Loss)/gain on disposal of entities net of transaction costs	(32)	–	13	179	(13)	(208)	**(61)**
Hedging and IFRS volatility	–	–	–	(48)	(31)	–	**(79)**
Other non-cash items	(1)	–	–	–	–	6	**5**
Net profit/(loss) after tax - "statutory basis"	4,010	2,765	1,103	1,190	(870)	368	**8,566**

1 Information has been restated to conform to presentation in the current year and to reflect the prior period restatements detailed in Note 1.1.

2 This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility, and gains and losses, post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs.

Notes to the financial statements

For the year ended 30 June 2021

2.7 Financial reporting by segments (continued)

	Group[1]					
	30 Jun 21		30 Jun 20		30 Jun 19	
Financial performance and position	**$M**	**%**	**$M**	**%**	**$M**	**%**
Income						
Australia	**20,944**	**85. 8**	20,391	85. 2	20,162	85. 8
New Zealand	**2,711**	**11. 1**	2,504	10. 5	2,444	10. 4
Other locations[2]	**759**	**3. 1**	1,031	4. 3	899	3. 8
Total Income	**24,414**	**100. 0**	23,926	100. 0	23,505	100. 0
Non-current assets[3]						
Australia	**15,117**	**93. 5**	14,445	93. 0	12,453	93. 2
New Zealand	**806**	**5. 0**	846	5. 5	635	4. 8
Other locations[2]	**244**	**1. 5**	236	1. 5	261	2. 0
Total non-current assets	**16,167**	**100. 0**	15,527	100. 0	13,349	100. 0

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

2 Other locations include: United Kingdom, Netherlands, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, Vietnam and India.

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

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

ACCOUNTING POLICIES

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

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

Notes to the financial statements
For the year ended 30 June 2021

3. Our lending activities

OVERVIEW

Lending is the Group's primary business activity, generating most of its net interest income and lending fees. The Group satisfies customers' needs for borrowed funds by providing a broad range of lending products in Australia, New Zealand and other jurisdictions. As a result of its lending activities, the Group assumes credit risk arising from the potential that it will not receive the full amount owed.

This section provides details of the Group's lending portfolio by type of product and geographic region, analysis of the credit quality of the Group's lending portfolio and the related impairment provisions.

3.1 Loans, bills discounted and other receivables

		Group [1]		Bank [1]	
		30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	Note	$M	$M	$M	$M
Australia					
Overdrafts		**21,466**	29,026	**21,466**	29,026
Home loans [2, 3]		**516,217**	485,795	**508,406**	478,419
Credit card outstandings		**8,640**	9,005	**8,640**	9,005
Lease financing		**3,731**	4,073	**3,275**	3,487
Bills discounted		**5**	354	**5**	354
Term loans and other lending		**155,536**	146,225	**155,536**	146,238
Total Australia		**705,595**	674,478	**697,328**	666,529
Overseas					
Overdrafts		**1,255**	1,481	**226**	257
Home loans [2, 3]		**63,539**	57,085	**176**	259
Credit card outstandings		**909**	911	**–**	–
Lease financing		**1**	6	**1**	1
Term loans and other lending		**46,967**	46,147	**17,066**	18,061
Total overseas		**112,671**	105,630	**17,469**	18,578
Gross loans, bills discounted and other receivables		**818,266**	780,108	**714,797**	685,107
Less					
Provisions for loan impairment:	3.2				
Collective provisions		**(5,200)**	(5,277)	**(4,732)**	(4,766)
Individually assessed provisions		**(900)**	(967)	**(782)**	(813)
Unearned income:					
Term loans		**(622)**	(627)	**(619)**	(621)
Lease financing		**(188)**	(257)	**(159)**	(206)
		(6,910)	(7,128)	**(6,292)**	(6,406)
Net loans, bills discounted and other receivables		**811,356**	772,980	**708,505**	678,701

1 Comparative information has been restated. For details refer to Note 1.1.

2 Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further details on these residential mortgages are disclosed in Note 4.5.

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

Based on behavioural terms and current market conditions, the amounts expected to be repaid within 12 months of the Balance Sheet date are $182,384 million (2020: $179,546 million) for the Group, and $162,622 million (2020: $161,216 million) for the Bank.

Notes to the financial statements
For the year ended 30 June 2021

3.1 Loans, bills discounted and other receivables (continued)

Finance lease receivables

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

Finance lease receivables are included within Loans, bills discounted and other receivables.

	Group					
	30 Jun 21			30 Jun 20		
	Gross investment in finance lease receivable $M	Unearned income $M	Present value of minimum lease payment receivable $M	Gross investment in finance lease receivable $M	Unearned income $M	Present value of minimum lease payment receivable $M
Not later than one year	**1,563**	**(95)**	**1,468**	1,584	(130)	1,454
One to two years	**947**	**(51)**	**896**	1,047	(66)	981
Two to three years	**699**	**(26)**	**673**	668	(34)	634
Three to four years	**277**	**(6)**	**271**	480	(16)	464
Four to five years	**110**	**(5)**	**105**	160	(6)	154
Over five years	**136**	**(5)**	**131**	140	(5)	135
	3,732	**(188)**	**3,544**	4,079	(257)	3,822

	Bank					
	30 Jun 21			30 Jun 20		
	Gross investment in finance lease receivable $M	Unearned income $M	Present value of minimum lease payment receivable $M	Gross investment in finance lease receivable $M	Unearned income $M	Present value of minimum lease payment receivable $M
Not later than one year	**1,359**	**(80)**	**1,279**	1,431	(102)	1,329
One to two years	**884**	**(42)**	**842**	844	(54)	790
Two to three years	**542**	**(21)**	**521**	607	(28)	579
Three to four years	**267**	**(9)**	**258**	318	(12)	306
Four to five years	**105**	**(4)**	**101**	152	(5)	147
Over five years	**119**	**(3)**	**116**	136	(5)	131
	3,276	**(159)**	**3,117**	3,488	(206)	3,282

ACCOUNTING POLICIES

Loans, bills discounted and other receivables include overdrafts, home loans, credit cards and other personal lending, term loans, and discounted bills. These financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The contractual cash flows on these financial assets comprise the payment of principal and interest only. These instruments are accordingly measured at amortised cost.

Loans, bills discounted and other receivables, consistent with the Group's policy for all financial assets measured at amortised cost, are recognised on settlement date, when funding is advanced to the borrowers. They are initially recognised at their fair value plus directly attributable transaction costs such as broker fees. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method and are presented net of provisions for impairment. The accounting policy for provisions for impairment is in Note 3.2. For information on the Group's management of credit risk, refer to Note 9.2.

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

Critical accounting judgements and estimates

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

3.1 Loans, bills discounted and other receivables (continued)

Contractual maturity tables

	Group Maturity Period at 30 June 2021			
Industry/ sector	**Maturing 1 year or less $M**	**Maturing between 1 and 5 years $M**	**Maturing after 5 years $M**	**Total $M**
Australia				
Sovereign	16,338	757	525	17,620
Agriculture	3,483	8,331	322	12,136
Bank and other financial	7,069	5,733	1,084	13,886
Construction	1,459	3,103	440	5,002
Consumer	20,393	66,465	445,299	532,157
Other commercial and industrial	36,443	79,817	8,534	124,794
Total Australia	85,185	164,206	456,204	705,595
Overseas				
Sovereign	138	–	–	138
Agriculture	4,456	4,357	962	9,775
Bank and other financial	2,483	4,284	25	6,792
Construction	207	223	253	683
Consumer	5,985	9,799	50,271	66,055
Other commercial and industrial	16,286	8,086	4,856	29,228
Total overseas	29,555	26,749	56,367	112,671
Gross loans, bills discounted and other receivables	114,740	190,955	512,571	818,266

Interest rate	**Maturing 1 year or less $M**	**Maturing between 1 and 5 years $M**	**Maturing after 5 years $M**	**Total $M**
Australia	73,399	137,741	310,141	521,281
Overseas	21,868	10,997	6,341	39,206
Total variable interest rates	95,267	148,738	316,482	560,487
Australia	11,786	26,465	146,063	184,314
Overseas	7,687	15,752	50,026	73,465
Total fixed interest rates	19,473	42,217	196,089	257,779
Gross loans, bills discounted and other receivables	114,740	190,955	512,571	818,266

Notes to the financial statements
For the year ended 30 June 2021

3.1 Loans, bills discounted and other receivables (continued)

	Group [1] Maturity Period at 30 June 2020			
Industry/ sector	**Maturing 1 year or less $M**	**Maturing between 1 and 5 years $M**	**Maturing after 5 years $M**	**Total $M**
Australia				
Sovereign	22,377	675	428	23,480
Agriculture	3,489	6,686	337	10,512
Bank and other financial	9,484	3,518	258	13,260
Construction	1,565	3,031	449	5,045
Consumer	23,258	83,174	397,058	503,490
Other commercial and industrial	37,291	72,726	8,674	118,691
Total Australia	97,464	169,810	407,204	674,478
Overseas				
Sovereign	14	–	–	14
Agriculture	3,939	4,685	1,102	9,726
Bank and other financial	2,723	3,946	61	6,730
Construction	189	249	220	658
Consumer	5,790	8,641	44,530	58,961
Other commercial and industrial	14,988	8,522	6,031	29,541
Total Overseas	27,643	26,043	51,944	105,630
Gross loans, bills discounted and other receivables	125,107	195,853	459,148	780,108

Interest rate	**Maturing 1 year or less $M**	**Maturing between 1 and 5 years $M**	**Maturing after 5 years $M**	**Total $M**
Australia	87,199	146,283	315,692	549,174
Overseas	23,202	16,156	9,163	48,521
Total variable interest rates	110,401	162,439	324,855	597,695
Australia	10,265	23,527	91,512	125,304
Overseas	4,441	9,887	42,781	57,109
Total fixed interest rates	14,706	33,414	134,293	182,413
Gross loans, bills discounted and other receivables	125,107	195,853	459,148	780,108

1 Comparative information has been restated to conform to presentation in the current year and to reflect the prior period restatement detailed in Note 1.1.

Notes to the financial statements

For the year ended 30 June 2021

3.2 Loan impairment expense and provisions for impairment

Loan impairment expense	Group 30 Jun 21 $M	Group 30 Jun 20 $M	Group 30 Jun 19 $M	Bank 30 Jun 21 $M	Bank 30 Jun 20 $M
Net collective provision funding	**287**	2,043	724	**289**	1,804
Net new and increased individual provisioning	**496**	658	619	**434**	519
Write-back of individually assessed provisions	**(229)**	(183)	(142)	**(198)**	(168)
Total loan impairment expense	**554**	2,518	1,201	**525**	2,155

Movement in provisions for impairment and credit exposures by ECL stage

The tables below provide movements in the Group's and the Bank's impairment provisions and credit exposures by expected credit loss (ECL) stage for the years ended 30 June 2021, 2020 and 2019.

Movements in credit exposures and provisions for impairment in the tables below represent the sum of monthly movements over the year and are attributable to the following items:

- **Transfers to/(from):** movements due to transfers of credit exposures between Stage 1, Stage 2 and Stage 3. Excludes the impact of re-measurements of provisions for impairment between 12 months and lifetime ECL.
- **Net re-measurement on transfers between stages:** movements in provisions for impairment due to re-measurement between 12 months and lifetime ECL as a result of transfers of credit exposures between stages.
- **Net financial assets originated:** net movements in credit exposures and provisions for impairment due to new financial assets originated as well as changes in existing credit exposures due to maturities, repayments or credit limit changes.
- **Movements in existing IAP (including IAP write-backs):** net movements in existing Individually Assessed Provisions (IAP) excluding write-offs.
- **Movement due to risk parameter and other changes:** movements in provisions for impairment due to changes in credit risk parameters, forward looking economic scenarios or other assumptions as well as other changes in underlying credit quality that do not lead to transfers between Stage 1, Stage 2 and Stage 3.
- **Write-offs:** derecognition of credit exposures and provisions for impairment upon write-offs.
- **Recoveries:** increases in provisions for impairment due to recoveries of loans previously written off.
- **Foreign exchange and other movements:** other movements in credit exposures and provisions for impairment including the impact of changes in foreign exchange rates.

	Group [1, 2]							
	Stage 1 [3] Collectively assessed		Stage 2 [4] Collectively assessed		Stage 3 [5] Collectively and individually assessed		Total	
	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions [6] $M
Opening balance as at 1 July 2018	**710,638**	**873**	**191,541**	**2,525**	**5,984**	**1,290**	**908,163**	**4,688**
Transfers to/(from)								
Stage 1	111,753	1,312	(111,687)	(1,309)	(66)	(3)	–	–
Stage 2	(135,041)	(607)	138,440	935	(3,399)	(328)	–	–
Stage 3	(350)	(10)	(7,088)	(460)	7,438	470	–	–
Net re-measurement on transfers between stages	–	(1,072)	–	1,596	–	568	–	1,092
Net financial assets originated	56,102	341	(47,506)	(999)	(1,946)	(143)	6,650	(801)
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	358	–	358
Movements due to risk parameters and other changes	–	57	–	191	–	304	–	552
Loan impairment expense for the year		21		(46)		1,226		1,201
Write-offs	–	–	–	–	(1,401)	(1,401)	(1,401)	(1,401)
Recoveries	–	–	–	–	–	206	–	206
Foreign exchange and other movements	5,408	11	1,216	40	102	54	6,726	105
Closing balance as at 30 June 2019	**748,510**	**905**	**164,916**	**2,519**	**6,712**	**1,375**	**920,138**	**4,799**

Notes to the financial statements

For the year ended 30 June 2021

3.2 Loan impairment expense and provisions for impairment (continued)

	Group [1, 2]							
	Stage 1 [3] Collectively assessed		Stage 2 [4] Collectively assessed		Stage 3 [5] Collectively and individually assessed		Total	
	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions [6] $M
Opening balance as at 1 July 2019	**748,510**	**905**	**164,916**	**2,519**	**6,712**	**1,375**	**920,138**	**4,799**
Transfers to/(from)								
Stage 1	95,568	1,384	(95,462)	(1,372)	(106)	(12)	–	–
Stage 2	(182,152)	(605)	186,096	980	(3,944)	(375)	–	–
Stage 3	(788)	(8)	(7,135)	(413)	7,923	421	–	–
Net re-measurement on transfers between stages	–	(1,079)	–	1,645	–	535	–	1,101
Net financial assets originated	75,238	345	(49,058)	(765)	(2,351)	(188)	23,829	(608)
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	399	–	399
Movements due to risk parameters and other changes	–	618	–	736	–	272	–	1,626
Loan impairment expense for the year		655		811		1,052		2,518
Write-offs	–	–	–	–	(1,207)	(1,207)	(1,207)	(1,207)
Recoveries	–	–	–	–	–	185	–	185
Foreign exchange and other movements	(429)	9	(66)	16	(77)	43	(572)	68
Closing balance as at 30 June 2020	**735,947**	**1,569**	**199,291**	**3,346**	**6,950**	**1,448**	**942,188**	**6,363**
Transfers to/(from)								
Stage 1	163,851	1,678	(163,747)	(1,672)	(104)	(6)	–	–
Stage 2	(165,012)	(763)	168,665	1,338	(3,653)	(575)	–	–
Stage 3	(885)	(16)	(6,766)	(497)	7,651	513	–	–
Net re-measurement on transfers between stages	–	(1,010)	–	875	–	571	–	436
Net financial assets originated	118,814	374	(55,557)	(956)	(2,205)	(224)	61,052	(806)
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	152	–	152
Movements due to risk parameters and other changes	–	(227)	–	484	–	515	–	772
Loan impairment expense for the year		36		(428)		946		554
Write-offs	–	–	–	–	(859)	(859)	(859)	(859)
Recoveries	–	–	–	–	–	131	–	131
Foreign exchange and other movements	(3,348)	9	(2,162)	18	(67)	(5)	(5,577)	22
Closing balance as at 30 June 2021	**849,367**	**1,614**	**139,724**	**2,936**	**7,713**	**1,661**	**996,804**	**6,211**

1 Comparative information has been restated to conform to presentation in the current year and to reflect the prior period restatement detailed in Note 1.1.

2 Refer to Note 9.2 for further analysis of provisions for impairment and credit exposures.

3 Movements in credit exposures exclude Cash and liquid assets and Receivables from financial institutions. Movements in provisions for impairment losses include provisions in relation to Cash and liquid assets and Receivables from financial institutions. As at 30 June 2021, collective provisions in Stage 1 include $15 million in relation to these financial assets (30 June 2020: $12 million; 30 June 2019: $9 million).

4 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 62% of Stage 2 credit exposures for the Group as at 30 June 2021 (30 June 2020: 65%; 30 June 2019: 65%).

5 As at 30 June 2021, Stage 3 includes $5,742 million of collectively assessed credit exposures (30 June 2020: $4,608 million; 30 June 2019: $4,615 million) and $1,971 million of individually assessed credit exposures (30 June 2020: $2,342 million; 30 June 2019: $2,097 million). Stage 3 provisions for impairment include $761 million of collective provisions (30 June 2020: $481 million; 30 June 2019: $480 million) and $900 million of individually assessed provisions (30 June 2020: $967 million; 30 June 2019: $895 million).

6 As at 30 June 2021, total provisions include $111 million in relation to financial guarantees and other off Balance Sheet instruments (30 June 2020: $119 million; 30 June 2019: $84 million).

Notes to the financial statements
For the year ended 30 June 2021

3.2 Loan impairment expense and provisions for impairment (continued)

	Bank [1,2]							
	Stage 1 [3] Collectively assessed		Stage 2 [4] Collectively assessed		Stage 3 [5] Collectively and individually assessed		Total	
	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions [6] $M
Opening balance as at 1 July 2019	**662,401**	**801**	**144,639**	**2,293**	**5,838**	**1,244**	**812,878**	**4,338**
Transfers to/(from)								
Stage 1	91,183	1,333	(91,097)	(1,327)	(86)	(6)	–	–
Stage 2	(172,270)	(569)	175,655	916	(3,385)	(347)	–	–
Stage 3	(311)	(6)	(6,302)	(372)	6,613	378	–	–
Net re-measurement on transfers between stages	–	(1,038)	–	1,590	–	474	–	1,026
Net financial assets originated	70,872	312	(47,490)	(747)	(2,136)	(162)	21,246	(597)
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	296	–	296
Movements due to risk parameters and other changes	–	569	–	581	–	280	–	1,430
Loan impairment expense for the year		601		641		913		2,155
Write-offs	–	–	–	–	(1,061)	(1,061)	(1,061)	(1,061)
Recoveries	–	–	–	–	–	172	–	172
Foreign exchange and other movements	1,306	16	385	35	1	37	1,692	88
Closing balance as at 30 June 2020	**653,181**	**1,418**	**175,790**	**2,969**	**5,784**	**1,305**	**834,755**	**5,692**
Transfers to/(from)								
Stage 1	154,925	1,621	(154,846)	(1,616)	(79)	(5)	–	–
Stage 2	(158,804)	(729)	161,803	1,256	(2,999)	(527)	–	–
Stage 3	(493)	(14)	(5,943)	(463)	6,436	477	–	–
Net re-measurement on transfers between stages	–	(976)	–	863	–	508	–	395
Net financial assets originated	111,220	361	(57,206)	(937)	(1,997)	(188)	52,017	(764)
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	136	–	136
Movements due to risk parameters and other changes	–	(230)	–	592	–	396	–	758
Loan impairment expense for the year		33		(305)		797		525
Write-offs	–	–	–	–	(736)	(736)	(736)	(736)
Recoveries	–	–	–	–	–	118	–	118
Foreign exchange and other movements	(3,088)	8	(2,143)	19	(11)	(9)	(5,242)	18
Closing balance as at 30 June 2021	**756,941**	**1,459**	**117,455**	**2,683**	**6,398**	**1,475**	**880,794**	**5,617**

1 Comparative information has been restated to conform to presentation in the current year and to reflect the prior period restatement detailed in Note 1.1.

2 Refer to Note 9.2 for further analysis of provisions for impairment and credit exposures.

3 Movements in credit exposures exclude Cash and liquid assets and Receivables from financial institutions. Movements in provisions for impairment losses include provisions in relation to Cash and liquid assets and Receivables from financial institutions. As at 30 June 2021, collective provisions in Stage 1 include $14 million in relation to these financial assets (30 June 2020: $10 million).

4 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 60% of Stage 2 credit exposures for the Bank as at 30 June 2021 (30 June 2020: 64%).

5 As at 30 June 2021, Stage 3 includes $4,858 million of collectively assessed credit exposures (30 June 2020: $3,960 million) and $1,540 million of individually assessed credit exposures (30 June 2020: $1,824 million). Stage 3 provisions for impairment include $693 million of collective provisions (30 June 2020: $492 million) and $782 million of individually assessed provisions (30 June 2020: $813 million).

6 As at 30 June 2021, total provisions include $103 million in relation to financial guarantees and other off Balance Sheet instruments (30 June 2020: $113 million).

Notes to the financial statements

For the year ended 30 June 2021

3.2 Loan impairment expense and provisions for impairment (continued)

	Group [1]			Bank [1]	
	30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 21	30 Jun 20
Provision ratios	%	%	%	%	%
Total provisions for impaired assets as a % of gross impaired assets [2]	**33. 99**	35. 37	32. 77	**39. 98**	37. 74
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 76**	0. 82	0. 63	**0. 79**	0. 83

1 Comparative information has been restated to reflect the prior period restatement detailed in Note 1.1.

2 Gross impaired assets include non-performing facilities, restructured facilities and unsecured retail managed facilities 90 days or more past due. For impaired assets classification refer to Note 9.2.

Of the total $859 million loans written-off by the Group during the year ended 30 June 2021 (30 June 2020: $1,207 million), $700 million remain subject to enforcement activity (30 June 2020: $475 million). Of the total $736 million loans written-off by the Bank during the year ended 30 June 2021 (30 June 2020: $1,061 million), $581 million remain subject to enforcement activity (30 June 2020: $397 million).

ACCOUNTING POLICIES

By providing loans to customers, the Group bears the risk that the future circumstances of customers might change, including their ability to repay their loans in part or in full. While the Group's credit and responsible lending policies aim to minimise this risk, there will always be instances where the Group will not receive the full amount owed and hence a provision for impaired loans will be necessary.

A description of the key components of the Group's AASB 9 impairment methodology is provided below.

Expected credit loss (ECL) model

The ECL model applies to all financial assets measured at amortised cost, debt securities measured at fair value through other comprehensive income, finance lease receivables, loan commitments and financial guarantee contracts not measured at fair value through profit or loss (FVTPL). The model uses a three-stage approach to recognition of expected credit losses. Financial assets migrate through these stages based on changes in credit risk since origination:

- **Stage 1 - 12 months ECL - Performing loans**

  On origination, an impairment provision equivalent to 12 months ECL is recognised. 12 months ECL is the credit losses expected to arise from defaults occurring over the next 12 months.

- **Stage 2 - Lifetime ECL - Performing loans that have experienced a significant increase in credit risk (SICR)**

  Financial assets that have experienced a SICR since origination are transferred to Stage 2 and an impairment provision equivalent to lifetime ECL is recognised. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to 12 months ECL.

- **Stage 3 - Lifetime ECL - Non-performing loans**

  Financial assets in default are transferred to Stage 3 and an impairment provision equivalent to lifetime ECL is recognised. This includes assets that are considered impaired as well as assets that are considered to be in default but are not impaired because, for example, no loss is expected based on the security position.

Credit losses for financial assets in Stage 1 and Stage 2 are assessed for impairment collectively, whilst those in Stage 3 are subjected to either collective or individual assessment of ECL.

Significant increase in credit risk (SICR)

SICR is assessed by comparing the risk of default occurring over the expected life of the financial asset at reporting date to the corresponding risk of default at origination. The Group considers all available qualitative and quantitative information that is relevant to assessing SICR.

For non-retail portfolios, such as the corporate risk rated portfolio and the asset finance portfolio, the risk of default is defined using the existing Risk Rated Probability of Default (PD) Masterscale. The PD Masterscale is used in internal credit risk management and includes 23 risk grades that are assigned at a customer level using rating tools reflecting customer specific financial and non-financial information and management's experienced credit judgement. Internal credit risk ratings are updated regularly on the basis of the most recent financial and non-financial information.

The Group uses a Retail Masterscale in the ECL measurement on personal loans, credit cards, home loans and SME retail portfolios. The Retail Masterscale has 15 risk grades that are assigned to retail accounts based on their credit quality scores determined through a credit quality scorecard. Risk grades for retail exposures are updated monthly as credit quality scorecards are recalculated based on new behavioural information.

For significant portfolios, the primary indicator of SICR is a significant deterioration in an exposure's internal credit rating grade between origination and reporting date. Application of the primary SICR indicator uses a sliding threshold such that an exposure with a higher credit quality at origination would need to experience a more significant downgrade compared to a lower credit quality exposure before SICR is triggered. The level of downgrade required to trigger SICR for each origination grade has been defined for each significant portfolio.

Notes to the financial statements

For the year ended 30 June 2021

3.2 Loan impairment expense and provisions for impairment (continued)

The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 62% of Stage 2 exposures for the Group and 60% for the Bank as at 30 June 2021 (30 June 2020: 65% for the Group and 64% for the Bank).

The Group also uses secondary SICR indicators as backstops in combination with the primary SICR indicator, including:

- arrears status that incorporates the AASB 9 rebuttable presumption of 30 days past due;
- a retail exposure entering a financial hardship status;
- a non-retail exposure's referral to Group Credit Structuring.

For a number of small portfolios, which are not considered significant individually or in combination, the Group applies simplified provisioning approaches that differ from the description above. 30 days past due is used as a primary indicator of SICR on exposures in these portfolios.

The offer or uptake of an initial COVID-19 related repayment deferral was not itself considered to constitute a SICR event unless the exposure was considered to have experienced a SICR based on other available information. During the current year ended 30 June 2021, the Group completed its reassessment of the internal credit risk ratings for non-retail exposures in segments most impacted by COVID-19, including those on repayment deferrals, to determine if changes in customers' circumstances were sufficient to constitute SICR. Subsequent to an initial deferral some customers were provided with a further deferral extension or other contract modification such as a term extension, or switch from principal and interest repayments to interest only repayments. Where an extension of a deferral was granted or a modification was given outside of commercial terms, those exposures were considered to have experienced a SICR event. Modifications that are routinely offered in the normal course of business, such as interest only switches, were not considered to constitute a SICR event.

Definition of default, impaired and write-offs

The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Group in full, or the exposure is 90 days past due. Facilities are classified as impaired where there is doubt as to whether the full amounts due, including interest and other payments, will be received in a timely manner.

Loans are written off when there is no reasonable expectation of recovery. Unsecured retail loans are generally written off when repayments become 180 days past due. Secured loans are generally written off when assets pledged to the Group have been realised and there are no further prospects of additional recovery.

The offer or uptake of a COVID-19 related repayment deferral was not considered to constitute a default or credit impairment unless the exposure was considered to be in default or impaired based on the criteria outlined above.

ECL measurement

ECL is a probability weighted expected credit loss estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

The Group uses the following AASB 9 collective provisioning models in calculating ECL for significant portfolios:

- **Retail lending**: Personal Loans model, Credit Cards model, Home Loans model
- **Non-retail lending**: Corporate Risk Rated model, Asset Finance model, Retail SME model.

For each significant portfolio ECL is calculated as a product of the following credit risk factors at a facility level:

- **Probability of default (PD)**: The likelihood that a debtor will be unable to pay its obligations in full without having to take actions such as realising security or that the debtor will become 90 days overdue on an obligation or contractual commitment;
- **Exposure at default (EAD)**: The expected Balance Sheet exposure at default. The Group generally calculates EAD as the higher of the drawn balance and total credit limit, except for the credit cards portfolio, for which the EAD calculation also takes into account the probability of unused limits being drawn down; and
- **Loss given default (LGD)**: The amount that is not expected to be recovered following default.

Secured retail exposures and defaulted non retail exposures are assessed for impairment through an Individually Assessed Provisions (IAP) process if expected losses are in excess of $20,000. Impairment provisions on these exposures are calculated directly as the difference between the defaulted asset's carrying value and the present value of expected future cash flows including cash flows from realisation of collateral, where applicable.

Lifetime of an exposure

For exposures in Stage 2 and Stage 3 impairment provisions are determined as a lifetime expected loss. The Group uses a range of approaches to estimate expected lives of financial instruments subject to ECL requirements:

- **Non-revolving products in corporate portfolios**: Expected life is determined as a maximum contractual period over which the Group is exposed to credit risk;
- **Non-revolving retail products**: For fixed term products such as personal loans and home loans, expected life is determined using behavioural term analysis and does not exceed the maximum contractual period; and
- **Revolving products in corporate and retail portfolios**: For revolving products that include both a loan and an undrawn commitment, such as credit cards and corporate lines of credit, the Group's contractual ability to cancel the undrawn limits and demand repayments does not limit the exposure to credit losses to the contractual notice period. For such products, ECL is measured over the behavioural life.

Notes to the financial statements
For the year ended 30 June 2021

3.2 Loan impairment expense and provisions for impairment (continued)

Forward-looking information

Credit risk factors of PD and LGD used in the ECL calculation are point-in-time estimates based on current conditions and adjusted to include the impact of multiple probability-weighted future forecast economic scenarios.

Forward looking PD and LGD factors are modelled for each significant portfolio based on macroeconomic factors that are most closely correlated with credit losses in the relevant portfolios. Each of the four scenarios (refer below) includes a forecast of relevant macroeconomic variables which differ by portfolio:

- **Retail portfolios:** Cash rate, unemployment rate, GDP per capita and House price index.
- **Non-retail lending:** Unemployment rate, business investment index, disposable income, ASX 200 and the AUD/USD exchange rate.

New Zealand equivalents of a subset of the above macroeconomic variables are used for credit exposures originated in New Zealand.

The Group uses the following four alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL for significant portfolios:

- **Central scenario:** This scenario considers economists' and Central Bank forecasts as well as the Group's base case assumptions used in business planning and forecasting. This scenario assumes that domestic activity restrictions related to COVID-19, when imposed, are either brief, or in line with past experience, economic activity and jobs recover quickly upon lifting of the restrictions.
- **Downside scenario:** This scenario contemplates the potential impact of possible, but less likely, adverse macroeconomic conditions, resulting from further nationwide outbreaks of COVID-19 and accompanying sustained periods of hard lockdowns and slow economic recovery.
- **Upside scenario:** This scenario is included to account for the potential impact of remote, more favourable macroeconomic conditions. Relative to the Central scenario, the Upside scenario features slightly stronger growth in economic output and a more rapid improvement in labour market conditions. In addition to this, the scenario features a stronger exchange rate, stronger growth in house prices, business investment, disposable income and the share market as well as modest increases in interest rates over the medium term.
- **Severe downside scenario:** This scenario contemplates the potentially severe impact of remote, extremely adverse macroeconomic conditions. Relative to the Downside scenario, this scenario features a sharper contraction with a slower recovery in economic output, heightened and prolonged weakness in the labour market, and more severe declines in house prices and the share market. In addition to this, the scenario features a more severe and prolonged contraction in business investment and a weaker exchange rate, while interest rates remain accommodative.

The table below provides a summary of macroeconomic variables used in the Central and Downside scenarios as at 30 June 2021.

	Central Calendar year			Downside Calendar year		
	2021	2022	2023	2021	2022	2023
GDP (annual % change)	4. 8 [1]	3. 5 [1]	2. 5	(8. 0)	4. 4	2. 4
Unemployment rate (%) [2]	5. 0 [1]	4. 5	4. 5	10. 5	10. 0	8. 5
Cash rate (%) [2]	0. 10	0. 10	0. 10	0. 10	0. 10	0. 10
House prices (annual % change)	10. 0 [1]	4. 0	4. 0	(1. 0)	(11. 3)	(4. 8)
Business investment (annual % change)	6. 0	9. 0	6. 0	(5. 3)	(8. 1)	1. 5
AUD/USD exchange rate [2]	0. 81	0. 77	0. 77	0. 65	0. 65	0. 65
Disposable income (annual % change)	0. 0	3. 5	3. 5	(3. 8)	(1. 3)	2. 0
ASX 200 (annual % change)	9. 3	2. 8	4. 1	(0. 3)	(7. 0)	1. 7
NZ unemployment rate (%) [2]	4. 7	4. 0	4. 0	8. 0	10. 3	8. 8
NZ cash rate (%) [2]	0. 25	0. 75	1. 25	–	(0. 25)	(0. 25)
NZ house prices (annual % change)	9. 3	5. 1	5. 3	(9. 8)	(12. 7)	(5. 3)

1 Due to changes in forecast market conditions subsequent to 30 June 2021, a number of economic assumptions changed including: GDP growth was adjusted to 1.5% in 2021, and 4.7% in 2022; unemployment rate was adjusted to 5.2% in 2021; and house prices growth was adjusted to 20% in 2021. Had these updated assumptions been used in the ECL calculation as at 30 June 2021, the Group's provisions for impairment as at 30 June 2021 and loan impairment expense for the year then ended, including commensurate changes to forward looking assumptions and overlays, would not be materially different.
2 Spot rate at December of each year, unless otherwise stated.

The requirement to probability-weight possible future outcomes captures the uncertainty inherent in the credit outlook, and changes in that uncertainty over time. Weights are assigned to each scenario based on management's best estimate of the proportion of potential future loss outcomes that each scenario represents. The same economic scenarios and probability weights apply across all portfolios. The following probability weights applied at 30 June 2021 and 2020:

	Combined weighting	
Scenario	**30 Jun 21**	**30 Jun 20**
Central and Upside	**67.5%**	75.0%
Downside and Severe Downside	**32.5%**	25.0%

3.2 Loan impairment expense and provisions for impairment (continued)

The Group's Central scenario in the prior year was broadly in line with the RBA baseline forecast and reflected broad consensus among economists about the negative impact of COVID-19 on the domestic and global economy. During the current year, macroeconomic scenarios were revised for the improved economic conditions including expectations of a strong and rapid recovery and the assumption of no further large COVID-19 outbreaks and accompanying extended hard lockdowns in Australia. These changes led to a significant reduction in the estimates of ECL under the Central and Upside scenarios. In order to reflect the uncertainty about the speed of the economic recovery and the risk posed by extended lockdowns, the Group decreased the combined weighting of the Central and Upside scenarios from 75% to 67.5%. This led to a commensurate increase in the combined weighting of the Downside and Severe Downside scenario from 25% to 32.5%. In addition, the ECL attributable to forward looking adjustments and overlays has increased over the year ended 30 June 2021.

The Group's assessment of SICR also incorporates the impact of multiple probability-weighted future forecast economic scenarios on exposures' internal risk grades using the same four forecast macroeconomic scenarios as described above.

In estimating impairment provisions on individually significant defaulted exposures, the Group generally applies prudent assumptions in estimating recovery cash flows. Incorporating multiple forecast economic scenarios in estimates is not expected to significantly affect the level of impairment provisions on these credit exposures.

Incorporation of experienced credit judgement

Management exercises credit judgement in assessing if an exposure has experienced SICR and in determining the amount of impairment provisions at each reporting date. Where applicable, credit risk factors (PD and LGD) are adjusted upwards to incorporate reasonable and supportable forward looking information about known or expected risks for specific segments of portfolios that would otherwise not have been considered in the modelling process. Credit judgement is used to determine the degree of adjustment to be applied and considers information such as emerging risks at an industry, geographic and portfolio segment level.

The Group also applies overlays which are determined based on a range of techniques including stress testing, benchmarking, scenario analysis and expert judgement. Overlays are subject to internal governance and applied as an incremental ECL top-up amount to the impacted portfolio segments. As at 30 June 2021, the Group held $906 million of overlays related to uncertainties associated with the ongoing impacts of COVID-19 and other adverse economic conditions. This included overlays for customers impacted by the cessation of liquidity support measures, the emergence of new COVID-19 variants and the impacts of travel restrictions, particularly on the Aviation sector. The overlays contain $285 million in relation to the Group's non-retail lending portfolio and $621 million in relation to retail portfolios. In addition to this, the Group applies overlays for model risks and other external factors that cannot be adequately accounted for through the ECL models.

Sensitivity of provisions for impairment to changes in forward looking assumptions

As described above, the Group applies four alternative macroeconomic scenarios (Central, Upside, Downside and Severe downside scenarios) to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL.

The table below provides approximate levels of provisions for impairment under the Central and Downside scenarios for the Group and the Bank assuming 100% weighting was applied to each scenario and holding all other assumptions constant. As noted above, these scenarios and their associated weights have been selected based on the expected range of potential future loss outcomes.

	Group		Bank	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	$M	$M	$M	$M
Reported probability-weighted ECL	6,211	6,363	5,617	5,692
100% Central scenario	4,119	5,262	3,688	4,659
100% Downside scenario	9,000	9,014	8,209	8,220

Sensitivity of provisions for impairment to SICR assessment criteria

If 1% of Stage 1 credit exposures as at 30 June 2021 was included in Stage 2, provisions for impairment would increase by approximately $162 million for the Group and $158 million for the Bank (30 June 2020: $108 million for the Group and $96 million for the Bank).

If 1% of Stage 2 credit exposures as at 30 June 2021 was included in Stage 1, provisions for impairment would decrease by approximately $27 million for the Group and $25 million for the Bank (30 June 2020: $29 million for the Group and $26 million for the Bank).

Modifications relating to COVID-19

The Group extended a number of support measures to customers impacted by COVID-19, including loan repayment deferrals, switches from principal and interest repayments to interest only repayments and other modifications including the extension of loan maturity dates. As at 30 June 2020, the Bank had $310 million and $150 million of accrued interest receivables in relation to retail and non-retail loans in deferral, respectively. The majority of retail and non-retail loans that were previously granted COVID-19 deferrals returned to their regular non-deferral repayment terms during the year ended 30 June 2021. As a result, accrued interest receivables in relation to loans in deferrals as at 30 June 2021 were not significant. Deferral extensions were treated as non-substantial modifications and therefore accounted for as a continuation of the existing loan with no material modification gains or losses having been recognised. Other contract modifications were treated as substantial or non-substantial based on the terms on which they were granted.

The Group extended new support measures in July 2021 to assist customers further impacted by COVID-19, including loan repayment deferral arrangements, fee waivers and refunds.

Notes to the financial statements
For the year ended 30 June 2021

3.2 Loan impairment expense and provisions for impairment (continued)

During the year ended 30 June 2021 loans with a gross carrying value of approximately $10,576 million were granted COVID-19 related repayment deferrals or other contractual modifications when they were included in either Stage 2 or Stage 3 (30 June 2020: $26,886 million). Loans with a gross carrying value of approximately $14,902 million, that were subject to COVID-19 related modifications when in Stage 2 or Stage 3, remained in either Stage 2 or Stage 3 at 30 June 2021 (30 June 2020: $25,179 million). The following table provides a summary of gross carrying values of credit exposures subject to COVID-19 related modifications.

	Group [1]		Bank [1]	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 21 $M	30 Jun 20 $M
Retail secured				
Stage 1	**2,385**	35,777	**2,350**	31,203
Stage 2	**617**	20,028	**545**	18,770
Stage 3	**112**	1,304	**75**	1,195
Total retail secured	**3,114**	57,109	**2,970**	51,168
Retail unsecured				
Stage 1	**–**	588	**–**	36
Stage 2	**–**	128	**–**	81
Stage 3	**–**	20	**–**	6
Total retail unsecured	**–**	736	**–**	123
Non–retail				
Stage 1	**3**	6,717	**–**	6,156
Stage 2	**2,122**	10,144	**1,926**	9,281
Stage 3	**183**	252	**109**	236
Total non-retail	**2,308**	17,113	**2,035**	15,673
Total credit exposures				
Stage 1	**2,388**	43,082	**2,350**	37,395
Stage 2	**2,739**	30,300	**2,471**	28,132
Stage 3	**295**	1,576	**184**	1,437
Total	**5,422**	74,958	**5,005**	66,964

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

The majority of credit exposures subject to COVID-19 related modifications are secured. The Group takes into account market values of available collateral in calculating provisions for impairment. As at 30 June 2021, the provision for impairment held by the Group in relation to credit exposures subject to COVID-19 related modifications was $193 million (30 June 2020: $817 million). The provision held in relation to these exposures by the Bank was $99 million (30 June 2020: $743 million).

Notes to the financial statements

For the year ended 30 June 2021

3.2 Loan impairment expense and provisions for impairment (continued)

	Group [1]				
	30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Individually assessed provisions by industry/ sector classification	$M	$M	$M	$M	$M
Australia					
Sovereign	**–**	–	–	–	–
Agriculture	**52**	54	51	56	47
Bank and other financial	**3**	4	14	16	27
Construction	**37**	40	76	21	25
Consumer	**159**	210	249	242	258
Other commercial and industrial	**411**	346	379	359	460
Total Australia	**662**	654	769	694	817
Overseas					
Sovereign	**–**	–	–	–	–
Agriculture	**21**	19	46	25	25
Bank and other financial	**–**	–	–	–	–
Construction	**2**	1	–	1	1
Consumer	**10**	8	7	5	4
Other commercial and industrial	**205**	285	73	145	133
Total overseas	**238**	313	126	176	163
Total individually assessed provisions	**900**	967	895	870	980

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

Notes to the financial statements
For the year ended 30 June 2021

3.2 Loan impairment expense and provisions for impairment (continued)

	Group [1]				
	30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17
Loans written off by industry/ sector classification	**$M**	**$M**	**$M**	**$M**	**$M**
Australia					
Sovereign	**–**	–	–	–	–
Agriculture	**14**	1	59	28	17
Bank and other financial	**–**	1	1	3	1
Construction	**9**	35	44	13	16
Consumer	**521**	772	921	890	907
Other commercial and industrial	**107**	240	143	202	251
Total Australia	**651**	1,049	1,168	1,136	1,192
Overseas					
Sovereign	**–**	–	–	–	–
Agriculture	**2**	36	2	3	15
Bank and other financial	**4**	4	5	5	5
Construction	**1**	2	2	1	8
Consumer	**56**	65	72	67	64
Other commercial and industrial	**145**	51	152	207	64
Total overseas	**208**	158	233	283	156
Gross loans written off	**859**	1,207	1,401	1,419	1,348
Less recovery of amounts previously written off:					
Australia	**118**	172	190	187	194
Overseas	**13**	13	16	14	16
Total amounts recovered	**131**	185	206	201	210
Net loans written off	**728**	1,022	1,195	1,218	1,138

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

Notes to the financial statements
For the year ended 30 June 2021

3.2 Loan impairment expense and provisions for impairment (continued)

	Group [1]				
Loans recovered by industry/ sector classification	**30 Jun 21 $M**	**30 Jun 20 $M**	**30 Jun 19 $M**	**30 Jun 18 $M**	**30 Jun 17 $M**
Australia					
Sovereign	**–**	–	–	–	–
Agriculture	**–**	4	–	–	–
Bank and other financial	**–**	–	–	1	1
Construction	**–**	1	1	–	1
Consumer	**115**	156	173	167	173
Other commercial and industrial	**3**	11	16	19	19
Total Australia	**118**	172	190	187	194
Overseas					
Sovereign	**–**	–	–	–	–
Agriculture	**–**	–	–	–	–
Bank and other financial	**–**	–	–	–	–
Construction	**–**	–	–	1	1
Consumer	**12**	13	12	11	12
Other commercial and industrial	**1**	–	4	2	3
Total overseas	**13**	13	16	14	16
Total loans recovered	**131**	185	206	201	210

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

Notes to the financial statements
For the year ended 30 June 2021

4. Our deposits and funding activities

OVERVIEW

Stable and well diversified funding sources are critical to the Group's ability to fund its lending and investing activities, and support growing its business.

Our main sources of funding include customer deposits, term funds raised in domestic and offshore wholesale markets via issuing debt securities and loan capital, and term funding from central banks. The Group also relies on repurchase agreements as a source of short-term wholesale funding. Refer to Note 9.4 for the Group's management of liquidity and funding risk.

4.1 Deposits and other public borrowings

	Group [1]		Bank [1]	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 21 $M	30 Jun 20 $M
Australia				
Certificates of deposit	**29,890**	30,126	**29,890**	30,261
Term deposits	**118,958**	129,338	**118,958**	129,388
On-demand and short-term deposits	**406,481**	372,598	**406,484**	372,633
Deposits not bearing interest	**103,510**	69,143	**103,489**	69,122
Securities sold under agreements to repurchase	**12,634**	14,717	**12,684**	15,018
Total Australia	**671,473**	615,922	**671,505**	616,422
Overseas				
Certificates of deposit	**14,532**	13,669	**10,944**	9,818
Term deposits	**28,106**	35,408	**3,773**	3,931
On-demand and short-term deposits	**34,680**	28,496	**234**	307
Deposits not bearing interest	**10,906**	7,777	**57**	190
Securities sold under agreements to repurchase	**6,684**	2,160	**6,684**	2,066
Total overseas	**94,908**	87,510	**21,692**	16,312
Total external deposits and other public borrowings	**766,381**	703,432	**693,197**	632,734

1 Comparative information has been restated. For details refer to Note 1.1.

The majority of the amounts are due to be settled within 12 months of the Balance Sheet date.

The contractual maturity profile of Certificates of deposit and Term deposits are shown in the table below:

	Group At 30 June 2021				
	Maturing 3 months or less $M	Maturing between 3 and 6 months $M	Maturing between 6 and 12 months $M	Maturing after 12 months $M	Total $M
Australia					
Certificates of deposit [1]	20,068	8,592	1,160	70	**29,890**
Term deposits	66,147	21,667	28,297	2,847	**118,958**
Total Australia	**86,215**	**30,259**	**29,457**	**2,917**	**148,848**
Overseas					
Certificates of deposit [1]	7,566	4,052	2,858	56	**14,532**
Term deposits	12,890	9,213	4,019	1,984	**28,106**
Total overseas	**20,456**	**13,265**	**6,877**	**2,040**	**42,638**
Total certificates of deposits and term deposits	**106,671**	**43,524**	**36,334**	**4,957**	**191,486**

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

Notes to the financial statements

For the year ended 30 June 2021

4.1 Deposits and other public borrowings (continued)

	Group At 30 June 2020				
	Maturing 3 months or less $M	Maturing between 3 and 6 months $M	Maturing between 6 and 12 months $M	Maturing after 12 months $M	Total $M
Australia					
Certificates of deposit [1]	20,056	8,862	1,138	70	30,126
Term deposits	78,434	24,808	23,702	2,394	129,338
Total Australia	98,490	33,670	24,840	2,464	159,464
Overseas					
Certificates of deposit [1]	8,513	4,194	914	48	13,669
Term deposits	17,380	10,947	5,060	2,021	35,408
Total overseas	25,893	15,141	5,974	2,069	49,077
Total certificates of deposits and term deposits	124,383	48,811	30,814	4,533	208,541

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

ACCOUNTING POLICIES

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

Securities sold under repurchase agreements are retained on the Balance Sheet where substantially all the risks and rewards of ownership remain with the Group. A liability for the agreed repurchase amount is recognised within Deposits and other public borrowings.

4.2 Liabilities at fair value through Income Statement

	Group		Bank	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 21 $M	30 Jun 20 $M
Debt instruments	**5,660**	661	**–**	152
Trading liabilities	**2,721**	3,639	**2,721**	3,639
Deposits and other borrowings	**–**	97	**–**	97
Total liabilities at fair value through Income Statement	**8,381**	4,397	**2,721**	3,888

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

The amount that would be contractually required to be paid at maturity to the holders of the financial liabilities designated at fair value through Income Statement for the Group is $8,385 million (30 June 2020: $4,397 million) and for the Bank is $2,721 million (30 June 2020: $3,888 million).

ACCOUNTING POLICIES

The Group designates certain Liabilities at fair value through the Income Statement on origination when doing so eliminates or reduces an accounting mismatch, or where the liabilities contain embedded derivatives which must otherwise be separated and carried at fair value. Trading liabilities are incurred principally for the purpose of repurchasing or settling in the near term.

Subsequent to initial recognition, these liabilities are measured at fair value. Changes in fair value (except those due to changes in credit risk) are recognised in Other banking income. Changes in fair value relating to the Group's own credit risk are recognised in other comprehensive income. Interest incurred is recognised within Net interest income on a contractual rate basis, including amortisation of any premium/ discount.

Notes to the financial statements
For the year ended 30 June 2021

4.3 Debt issues

		Group		Bank	
		30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	Note	$M	$M	$M	$M
Medium-term notes		**58,260**	80,877	**46,760**	67,602
Commercial paper		**2,061**	12,468	**2,061**	12,104
Securitisation notes	4.5	**9,721**	11,677	**–**	–
Covered bonds	4.5	**32,961**	37,456	**29,019**	33,592
Bank acceptances		**–**	25	**–**	25
Total debt issues [1]		**103,003**	142,503	**77,840**	113,323
Short-term debt issues by currency					
USD		**2,061**	12,410	**2,061**	12,047
AUD		**–**	29	**–**	29
GBP		**860**	5,175	**860**	5,175
Other currencies		**4**	28	**4**	28
Total short-term debt issues		**2,925**	17,642	**2,925**	17,279
Long-term debt issues by currency [2]					
USD		**26,180**	39,568	**21,955**	34,779
EUR		**29,664**	33,556	**22,164**	25,992
AUD		**30,165**	34,912	**20,203**	23,015
GBP		**4,549**	4,938	**4,415**	4,298
NZD		**2,275**	3,351	**92**	494
JPY		**1,283**	1,730	**1,253**	1,602
Other currencies		**5,962**	6,806	**4,833**	5,864
Total long-term debt issues		**100,078**	124,861	**74,915**	96,044
Maturity distribution of debt issues [3]					
Less than twelve months		**29,454**	36,406	**24,787**	31,029
Greater than twelve months		**73,549**	106,097	**53,053**	82,294
Total debt issues		**103,003**	142,503	**77,840**	113,323

1 Debt issues include unrealised movements of $7,734 million predominantly due to foreign exchange gains and fair value hedge adjustments (30 June 2020: unrealised movements of $3,095 million due to foreign exchange losses and fair value hedge adjustments).

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

3 Represents the remaining contractual maturity of the underlying instrument.

The Group's long-term debt issues include notes issued under the: USD70 billion Euro Medium Term Note Program; the USD50 billion US Medium Term Note Program; USD30 billion Covered Bond Program; Unlimited Domestic Debt Program; Unlimited ASB Domestic Medium Term Note Program; USD25 billion CBA New York Branch Medium Term Note Program; EUR7 billion ASB Covered Bond Program; USD10 billion ASB US Medium Term Note Program and other applicable debt documentation. Notes issued under debt programs are both fixed and variable rate. Interest rate risk associated with the notes is incorporated within the Bank's interest rate risk framework. The Bank, from time to time, as part of its Balance Sheet management, may consider opportunities to repurchase outstanding long-term debt pursuant to open-market purchases or other means. Such repurchases help manage the Bank's debt maturity profile, overall funding costs and assist in meeting regulatory changes and requirements.

Notes to the financial statements

For the year ended 30 June 2021

4.3 Debt issues (continued)

Short-term borrowings by commercial paper program [1]	Group 30 Jun 21	30 Jun 20	30 Jun 19
	$M (except where indicated)		
Total			
Outstanding at year end [2]	**2,061**	12,468	20,158
Maximum amount outstanding at any month end	**11,112**	19,937	24,557
Average amount outstanding	**5,969**	16,546	21,592
US Commercial Paper Program			
Outstanding at year end [2]	**2,061**	12,406	20,120
Maximum amount outstanding at any month end	**11,112**	19,683	24,481
Average amount outstanding	**5,958**	16,392	21,494
Weighted average interest rate on:			
Average amount outstanding	**0. 3%**	1. 9%	2. 6%
Outstanding at year end	**0. 2%**	0. 8%	2. 7%
Euro Commercial Paper Program			
Outstanding at year end [2]	**–**	62	38
Maximum amount outstanding at any month end	**58**	390	163
Average amount outstanding	**11**	154	98
Weighted average interest rate on:			
Average amount outstanding	**0. 4%**	0. 9%	2. 2%
Outstanding at year end	**–**	0. 4%	2. 7%

1 Short-term borrowings include callable medium-term notes of $860 million (30 June 2020: $5,149 million; 30 June 2019: $3,696 million) which have been excluded from the table above.

2 The amount outstanding at year end is measured at amortised cost.

Exchange rates utilised [1]	Currency	As at 30 Jun 21	As at 30 Jun 20
AUD 1.00 =	USD	**0. 7521**	0.6854
	EUR	**0. 6319**	0.6114
	GBP	**0. 5431**	0.5584
	NZD	**1. 0740**	1.0705
	JPY	**83. 1173**	73.8002

1 End of day, Sydney time.

ACCOUNTING POLICIES

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

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

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

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

Notes to the financial statements
For the year ended 30 June 2021

4.4 Term funding from central banks

	Group		Bank	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	$M	$M	$M	$M
Term Funding Facility with the RBA	**51,137**	1,500	**51,137**	1,500
Term funding facilities with RBNZ	**719**	–	**–**	–
Term funding from central banks	**51,856**	1,500	**51,137**	1,500

The Term Funding Facility (TFF) was announced by the RBA in March 2020 as a part of a package of measures to support the Australian economy. Under the TFF, the RBA offered three-year funding to authorised deposit taking institutions through repurchase transactions. Prior to 4 November 2020, TFF funding was provided at a fixed pricing of 0.25% p.a. From 4 November 2020, TFF funding was provided at a fixed rate of 0.1% p.a.

Term funding facilities with RBNZ include Term Lending Facility (TLF) and Funding for Lending Programme (FLP) introduced to provide liquidity to the banking system in New Zealand. Under these facilities, banks in New Zealand have access to funding at low variable rates of interest and durations between 1 and 3 years.

ACCOUNTING POLICIES

The term funding liabilities are initially recognised at its fair value and subsequently measured at amortised cost using the effective interest method.

4.5 Securitisation, covered bonds and transferred assets

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

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

	Group					
	Repurchase agreements		Covered bonds		Securitisation [1]	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	$M	$M	$M	$M	$M	$M
Carrying amount of transferred assets	**20,310**	19,119	**37,402**	43,190	**10,631**	12,791
Carrying amount of associated liabilities	**19,318**	16,876	**32,961**	37,456	**9,721**	11,677
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					**10,634**	12,813
Fair value of associated liabilities					**9,870**	11,693
Net position					**764**	1,120

	Bank					
	Repurchase agreements		Covered bonds		Securitisation [2,3]	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	$M	$M	$M	$M	$M	$M
Carrying amount of transferred assets	**20,360**	19,326	**32,383**	38,359	**10,631**	12,791
Carrying amount of associated liabilities	**19,368**	17,084	**29,019**	33,592	**10,104**	12,514
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					**10,634**	12,813
Fair value of associated liabilities					**10,104**	12,514
Net position					**530**	299

1 Securitisation liabilities of the Group include RMBS notes issued by securitisation SPVs and held by external investors.
2 Securitisation liabilities of the Bank include borrowings from securitisation SPVs, recognised on transfer of residential mortgages by the Bank. The carrying amount of associated liabilities from securitisation SPVs is recorded under loans due to controlled entities.
3 Securitisation assets exclude $117,107 million of assets (30 June 2020: $129,124 million), where the Bank holds all of the issued instruments of the securitisation vehicle.

Notes to the financial statements

For the year ended 30 June 2021

4.5 Securitisation, covered bonds and transferred assets (continued)

ACCOUNTING POLICIES

Repurchase agreements

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

Securitisation programs

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

Covered bonds programs

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

Critical accounting judgements and estimates

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

Notes to the financial statements
For the year ended 30 June 2021

5. Our investing, trading and other banking activities

OVERVIEW

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

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

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

5.1 Cash and liquid assets

	Group		Bank	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 21 $M	30 Jun 20 $M
Notes, coins, cash at banks and money at short call	**87,375**	27,307	**84,269**	24,010
Securities purchased under agreements to resell	**12,666**	16,858	**12,490**	16,290
Total cash and liquid assets	**100,041**	44,165	**96,759**	40,300

ACCOUNTING POLICIES

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

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

5.2 Receivables from and payables to financial institutions

	Group [1]		Bank [1]	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 21 $M	30 Jun 20 $M
Collateral placed	**4,165**	7,425	**4,013**	7,576
Other receivables	**920**	1,122	**540**	733
Receivables from financial institutions	**5,085**	8,547	**4,553**	8,309
Collateral received	**4,358**	4,820	**4,056**	4,070
Other payables	**14,701**	10,109	**14,412**	9,780
Payables to financial institutions	**19,059**	14,929	**18,468**	13,850

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

As at 30 June 2021 and 2020, receivables and payables from financial institutions are expected to be settled within 12 months of the Balance Sheet date.

ACCOUNTING POLICIES

Receivables from and payables to financial institutions include cash collateral, short-term deposits and other balances. Cash collateral includes initial and variation margins in relation to derivative transactions and varies based on trading activities. Receivables from and payables to financial institutions are initially recognised at fair value and subsequently measured at amortised cost.

5.3 Assets at fair value through Income Statement

	Group		Bank	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
Assets at fair value through Income Statement	**$M**	**$M**	**$M**	**$M**
Trading				
Government bonds, notes and securities	**13,987**	31,255	**13,981**	31,245
Corporate and financial institution bonds, notes and securities	**2,955**	3,750	**2,955**	3,750
Commodities	**9,489**	3,418	**9,489**	3,418
Total trading assets	**26,431**	38,423	**26,425**	38,413
Other				
Commodities financing and other lending	**10,177**	7,869	**10,177**	7,871
Receivables from corporate and financial institutions	**229**	159	**–**	–
Government securities	**106**	77	**–**	–
Shares and equity investments	**27**	17	**–**	–
Total other assets at fair value through Income Statement	**10,539**	8,122	**10,177**	7,871
Total assets at fair value through Income Statement	**36,970**	46,545	**36,602**	46,284
Maturity distribution of assets at fair value through Income Statement				
Less than twelve months	**33,093**	45,548	**32,785**	45,364
More than twelve months	**3,877**	997	**3,817**	920
Total assets at fair value through Income Statement	**36,970**	46,545	**36,602**	46,284

ACCOUNTING POLICIES

Assets at fair value through Income Statement include financial assets held for trading, commodity financing transactions, and other financial assets designated at fair value through profit or loss. Trading assets are those acquired principally for sale in the near term. Commodity inventories are measured at fair value less costs to sell in accordance with the broker trader exemption under AASB 102 *Inventories*. Commodity financing and other lending are mandatorily recognised at fair value through profit or loss, because the contractual cash flows are not solely payments of principal and interest. Other financial assets are measured at fair value through profit or loss, because they are managed with the objective of realising cash flows through sale. Assets at fair value through Income Statement are measured at fair value with changes in fair value recognised in Other banking income.

Notes to the financial statements

For the year ended 30 June 2021

5.4 Derivative financial instruments and hedge accounting

Derivatives are classified as "held for trading" or "held for hedging". Held for trading derivatives are contracts entered into in order to meet customers' needs, to undertake market making and positioning activities, or for risk management purposes that are not designated in hedge accounting relationships. Held for hedging derivatives are instruments held for risk management purposes, which meet the criteria for hedge accounting. Derivative financial instruments are contracts whose values are derived from one or more underlying prices, indexes or other variables.

	Group			
	30 Jun 21		30 Jun 20	
Derivative assets and liabilities	Fair value asset $M	Fair value liability $M	Fair value asset $M	Fair value liability $M
Derivatives held for trading	**17,584**	**(16,248)**	25,300	(25,280)
Hedging derivatives	**3,865**	**(2,238)**	4,985	(6,067)
Total derivative assets/(liabilities)	**21,449**	**(18,486)**	30,285	(31,347)

	Bank			
	30 Jun 21		30 Jun 20	
Derivative assets and liabilities	Fair value asset $M	Fair value liability $M	Fair value asset $M	Fair value liability $M
Derivatives held for trading	**18,184**	**(18,464)**	25,884	(28,381)
Hedging derivatives	**3,260**	**(3,019)**	3,438	(7,867)
Total derivative assets/(liabilities)	**21,444**	**(21,483)**	29,322	(36,248)

Trading derivatives

The fair value of derivative financial instruments held for trading are set out in the following tables:

	Group			
	30 Jun 21		30 Jun 20	
Derivative assets and liabilities	Fair value asset $M	Fair value liability $M	Fair value asset $M	Fair value liability $M
Held for trading				
Foreign exchange rate related contracts:				
Forwards	**6,622**	**(5,065)**	6,899	(6,677)
Swaps	**4,100**	**(6,598)**	7,443	(12,638)
Options	**274**	**(238)**	441	(455)
Total foreign exchange rate related contracts	**10,996**	**(11,901)**	14,783	(19,770)
Interest rate related contracts:				
Swaps	**5,044**	**(2,856)**	8,732	(4,252)
Futures	**118**	**(1)**	148	(69)
Options	**888**	**(773)**	845	(572)
Total interest rate related contracts	**6,050**	**(3,630)**	9,725	(4,893)
Credit related swaps	**21**	**(84)**	31	(74)
Equity related contracts:				
Swaps	**7**	**–**	5	–
Options	**–**	**(7)**	–	–
Total equity related contracts	**7**	**(7)**	5	–
Commodity related contracts:				
Swaps	**356**	**(516)**	558	(407)
Options	**93**	**(52)**	103	(66)
Total commodity related contracts	**449**	**(568)**	661	(473)
Identified embedded derivatives	**61**	**(58)**	95	(70)
Total derivative assets/(liabilities) held for trading	**17,584**	**(16,248)**	25,300	(25,280)

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

5.4 Derivative financial instruments and hedge accounting (continued)

	Bank			
	30 Jun 21		30 Jun 20	
Derivative assets and liabilities	Fair value asset $M	Fair value liability $M	Fair value asset $M	Fair value liability $M
Held for trading				
Foreign exchange rate related contracts:				
Forwards	**6,515**	**(5,030)**	6,881	(6,633)
Swaps	**4,762**	**(7,251)**	8,254	(13,736)
Options	**272**	**(235)**	439	(452)
Derivatives held with controlled entities	**147**	**(1,645)**	22	(2,127)
Total foreign exchange rate related contracts	**11,696**	**(14,161)**	15,596	(22,948)
Interest rate related contracts:				
Swaps	**4,940**	**(2,812)**	8,483	(4,174)
Futures	**117**	**(1)**	148	(69)
Options	**889**	**(773)**	845	(572)
Derivatives held with controlled entities	**4**	**–**	20	(1)
Total interest rate related contracts	**5,950**	**(3,586)**	9,496	(4,816)
Credit related swaps	**21**	**(84)**	31	(74)
Equity related contracts:				
Swaps	**7**	**–**	5	–
Options	**–**	**(7)**	–	–
Total equity related contracts	**7**	**(7)**	5	–
Commodity related contracts:				
Swaps	**356**	**(516)**	558	(407)
Options	**93**	**(52)**	103	(66)
Total commodity related contracts	**449**	**(568)**	661	(473)
Identified embedded derivatives	**61**	**(58)**	95	(70)
Total derivative assets/(liabilities) held for trading	**18,184**	**(18,464)**	25,884	(28,381)

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

ACCOUNTING POLICIES

Derivatives held for trading purposes are initially recognised at fair value. Subsequent to initial recognition, gains or losses on derivatives are recognised in the Income Statement.

Notes to the financial statements
For the year ended 30 June 2021

5.4 Derivative financial instruments and hedge accounting (continued)

Hedging instruments

The following tables provide details of the Group's and the Bank's hedging instruments by the type of hedge relationship in which they are designated and the type of hedged risk.

		Group 30 Jun 21					
		Notional amounts				Fair Value	
	Hedged risk	Due within 1 year $M	Due from 1 to 5 years $M	Due beyond 5 years $M	Total $M	Derivative Asset $M	Derivative Liability $M
Fair value hedges	Interest rate	10,316	38,949	38,519	**87,784**	261	(434)
	Interest rate and foreign exchange	12,867	13,651	15,478	**41,996**	2,878	(1,476)
Total fair value hedges		23,183	52,600	53,997	**129,780**	3,139	(1,910)
Cash flow hedges	Interest rate	146,513	233,013	6,874	**386,400**	54	(108)
	Foreign exchange	2,173	2,828	5,376	**10,377**	668	(197)
	Commodity price	6	27	38	**71**	–	(21)
Total cash flow hedges		148,692	235,868	12,288	**396,848**	722	(326)
Net investment hedges	Foreign exchange	414	–	–	**414**	4	(2)
Total hedging derivative assets/(liabilities)		172,289	288,468	66,285	**527,042**	3,865	(2,238)

		Group 30 Jun 20					
		Notional amounts				Fair Value	
	Hedged risk	Due within 1 year $M	Due from 1 to 5 years $M	Due beyond 5 years $M	Total $M	Derivative Asset $M	Derivative Liability $M
Fair value hedges	Interest rate	12,545	42,759	41,703	**97,007**	493	(977)
	Foreign exchange	405	–	–	**405**	23	(3)
	Interest rate and foreign exchange	4,940	26,364	14,694	**45,998**	3,774	(3,839)
Total fair value hedges		17,890	69,123	56,397	**143,410**	4,290	(4,819)
Cash flow hedges	Interest rate	258,881	179,302	5,225	**443,408**	156	(211)
	Foreign exchange	6,762	4,179	4,005	**14,946**	531	(1,007)
	Commodity price	5	32	38	**75**	–	(30)
Total cash flow hedges		265,648	183,513	9,268	**458,429**	687	(1,248)
Net investment hedges	Foreign exchange	524	–	–	**524**	8	–
Total hedging derivative assets/(liabilities)		284,062	252,636	65,665	**602,363**	4,985	(6,067)

Notes to the financial statements

For the year ended 30 June 2021

5.4 Derivative financial instruments and hedge accounting (continued)

		Bank 30 Jun 21					
		Notional amounts				Fair Value	
	Hedged risk	Due within 1 year $M	Due from 1 to 5 years $M	Due beyond 5 years $M	Total $M	Derivative Asset [1] $M	Derivative Liability [1] $M
Fair value hedges	Interest rate	8,576	27,558	34,034	**70,168**	246	(475)
	Interest rate and foreign exchange	10,398	11,950	13,691	**36,039**	2,090	(2,289)
Total fair value hedges		18,974	39,508	47,725	**106,207**	2,336	(2,764)
Cash flow hedges	Interest rate	123,295	207,768	6,563	**337,626**	30	(99)
	Foreign exchange	3,117	3,785	5,376	**12,278**	890	(133)
	Commodity price	6	27	38	**71**	–	(21)
Total cash flow hedges		126,418	211,580	11,977	**349,975**	920	(253)
Net investment hedges	Foreign exchange	414	–	–	**414**	4	(2)
Total hedging derivative assets/(liabilities)		145,806	251,088	59,702	**456,596**	3,260	(3,019)

1 Derivative assets include $375 million of derivatives held with controlled entities, derivative liabilities include $1,493 million of derivatives held with controlled entities.

		Bank 30 Jun 20					
		Notional amounts				Fair Value	
	Hedged risk	Due within 1 year $M	Due from 1 to 5 years $M	Due beyond 5 years $M	Total $M	Derivative Asset [1] $M	Derivative Liability [1] $M
Fair value hedges	Interest rate	9,952	32,216	38,731	**80,899**	457	(1,032)
	Interest rate and foreign exchange	6,768	23,662	14,633	**45,063**	2,350	(5,643)
Total fair value hedges		16,720	55,878	53,364	**125,962**	2,807	(6,675)
Cash flow hedges	Interest rate	242,158	150,029	4,949	**397,136**	81	(172)
	Foreign exchange	6,177	6,039	4,005	**16,221**	542	(990)
	Commodity price	5	32	38	**75**	–	(30)
Total cash flow hedges		248,340	156,100	8,992	**413,432**	623	(1,192)
Net investment hedges	Foreign exchange	524	–	–	**524**	8	–
Total hedging derivative assets/(liabilities)		265,584	211,978	62,356	**539,918**	3,438	(7,867)

1 Derivative assets include $140 million of derivatives held with controlled entities, derivative liabilities include $3,001 million of derivatives held with controlled entities.

The Bank will be required to post collateral on derivatives with securitisation and covered bond trusts it controls, or novate the derivatives to other appropriately rated counterparties in the event that the Bank's credit rating falls below specified thresholds. The thresholds for collateral posting vary between two and three notches from the current rating, depending on the ratings agency. The thresholds for novation vary between four and six notches from the current rating, depending on the ratings agency. The fair value of funding these collateral arrangements has been recognised by the Bank as a funding valuation adjustment. The adjustment did not have a material impact on the Bank's Income Statement for the year. As the arrangement is between the Bank and the trusts, the fair value is eliminated on consolidation and will only be recognised by the Group if the trusts are deconsolidated.

As at 30 June 2021, the weighted average fixed interest rate of interest rate swaps hedging interest rate risk was 1.11% (30 June 2020: 1.36%). The major currency pairs of cross currency swaps designated in hedge relationships are receive USD/pay AUD and receive EUR/pay USD with weighted average foreign currency rates of: AUD/USD 0.81 and USD/EUR 0.83 (30 June 2020: AUD/USD 0.79, USD/EUR 0.83).

In addition to derivative instruments used to hedge foreign currency risk, the Group and the Bank designate debt issues as hedging instruments of certain foreign exchange risk exposures. The carrying value of debt issues designated as cash flow hedging instruments as at 30 June 2021 was $940 million with average maturity of 6 years for the Group (30 June 2020: $1,136 million with average maturity of five years) and $44 million with average maturity of less than one year for the Bank (30 June 2020: $54 million with average maturity of one year).

Notes to the financial statements

For the year ended 30 June 2021

5.4 Derivative financial instruments and hedge accounting (continued)

Hedged items in fair value hedges

The tables below provides details of the Group's and the Bank's hedged items designated in fair value hedge relationships by the type of hedged risk.

		Group			
		30 Jun 21		30 Jun 20	
Hedged items	Hedged risk	Carrying amount $M	Fair value adjustment [1,2] $M	Carrying amount $M	Fair Value adjustment [1,2] $M
Investment securities at fair value through Other Comprehensive Income	Interest rate	**58,338**	**3,499**	49,892	5,901
Investment securities at fair value through Other Comprehensive Income	Interest rate and foreign exchange	**5,526**	**331**	4,557	555
Loans, bills discounted and other receivables	Interest rate	**1,154**	**57**	1,743	109
Deposits and other public borrowings	Interest rate	**(55)**	**(5)**	(58)	(8)
Deposits and other public borrowings	Interest rate and foreign exchange	**(77)**	**(2)**	(50)	(3)
Assets held for sale	Foreign exchange	**–**	**–**	403	24
Debt issues	Interest rate	**(17,434)**	**(958)**	(27,139)	(2,146)
Debt issues	Interest rate and foreign exchange	**(48,557)**	**(1,910)**	(55,444)	(3,449)
Loan capital	Interest rate	**(11,412)**	**(308)**	(9,757)	(1,212)
Loan capital	Interest rate and foreign exchange	**(8,153)**	**(126)**	(9,274)	(474)

		Bank			
		30 Jun 21		30 Jun 20	
Hedged items	Hedged risk	Carrying amount $M	Fair value adjustment [1,2] $M	Carrying amount $M	Fair value adjustment [1,2] $M
Investment securities at fair value through Other Comprehensive Income	Interest rate	**52,190**	**3,593**	44,381	5,893
Investment securities at fair value through Other Comprehensive Income	Interest rate and foreign exchange	**4,814**	**331**	4,318	555
Loans, bills discounted and other receivables	Interest rate	**1,055**	**54**	1,585	104
Shares in and loans to controlled entities	Interest rate	**1,515**	**47**	1,546	78
Shares in and loans to controlled entities	Interest rate and foreign exchange	**17,783**	**786**	21,300	1,447
Deposits and other public borrowings	Interest rate	**(55)**	**(5)**	(58)	(8)
Deposits and other public borrowings	Interest rate and foreign exchange	**(77)**	**(2)**	(50)	(3)
Debt issues	Interest rate	**(10,233)**	**(799)**	(18,740)	(1,810)
Debt issues	Interest rate and foreign exchange	**(31,040)**	**(1,371)**	(39,366)	(2,596)
Loan capital	Interest rate	**(11,036)**	**(305)**	(9,371)	(1,200)
Loan capital	Interest rate and foreign exchange	**(8,153)**	**(126)**	(9,274)	(474)

1 Represents the accumulated amount of the fair value adjustment included in the carrying amount. The cumulative amount that is related to ceased hedge relationships where the risk being hedged was interest rate and foreign exchange risk is nil.

2 Changes in fair value of the hedged item used as a basis to determine effectiveness. The changes in fair value of the hedged items are recognised in Other banking income.

Notes to the financial statements

For the year ended 30 June 2021

5.4 Derivative financial instruments and hedge accounting (continued)

Hedged items in cash flow hedges and net investment hedges

The tables below provides details of the Group's and the Bank's hedged items designated in cash flow and net investment hedge relationships by the type of hedged risk.

		Group			
		30 Jun 21		30 Jun 20	
Hedged items	**Hedged risk**	**Cash flow hedge reserve [1] $M**	**Foreign currency translation reserve [2] $M**	**Cash flow hedge reserve [1] $M**	**Foreign currency translation reserve [2] $M**
Cash flow hedges					
Investment securities at fair value through Other Comprehensive Income	Foreign exchange	46	–	26	–
Loans, bills discounted and other receivables	Interest rate	1,925	–	4,906	–
Loans, bills discounted and other receivables	Foreign exchange	5	–	19	–
Deposits and other public borrowings	Interest rate	(769)	–	(2,665)	–
Debt issues	Interest rate	(23)	–	(60)	–
Debt issues	Foreign exchange	(468)	–	(18)	–
Loan capital	Interest rate	–	–	(4)	–
Loan capital	Foreign exchange	(86)	–	85	–
Highly probable forecast transactions [3]	Foreign exchange	38	–	(66)	–
Highly probable forecast transactions	Commodity price	(16)	–	(44)	–
Net investment hedges					
Foreign operations	Foreign exchange	–	(6)	–	(14)
Total		**652**	**(6)**	2,179	(14)

1 Represents the accumulated effective amount of the hedging instrument deferred to Cash flow hedge reserve. The cumulative amount related to ceased hedge relationships where the risk being hedged was interest rate and foreign exchange risk is a loss of $3 million (30 June 2020: $11 million loss). A cumulative loss of $19 million related to ceased hedge relationships was amortised to Income Statement during the period (30 June 2020: $5 million gain).

2 Represents the accumulated effective amount of the hedging instrument deferred to Foreign currency translation reserve. The cumulative amount related to ceased hedge relationships where the risk being hedged was foreign exchange risk is nil (30 June 2020: nil).

3 No amounts were reclassified to the Income Statement during the period as a result of highly probable forecast transactions no longer meeting the required criteria (30 June 2020: $12 million loss).

Notes to the financial statements

For the year ended 30 June 2021

5.4 Derivative financial instruments and hedge accounting (continued)

		Bank			
		30 Jun 21		30 Jun 20	
Hedged items	Hedged risk	Cash flow hedge reserve [1] $M	Foreign currency translation reserve [2] $M	Cash flow hedge reserve [1] $M	Foreign currency translation reserve [2] $M
Cash flow hedges					
Investment securities at fair value through Other Comprehensive Income	Foreign exchange	46	–	26	–
Loans, bills discounted and other receivables	Interest rate	1,924	–	4,471	–
Loans, bills discounted and other receivables	Foreign exchange	5	–	19	–
Shares in and loans to controlled entities	Interest rate	1	–	3	–
Shares in and loans to controlled entities	Foreign exchange	175	–	88	–
Deposits and other public borrowings	Interest rate	(765)	–	(2,194)	–
Debt issues	Interest rate	(20)	–	(55)	–
Debt issues	Foreign exchange	(246)	–	140	–
Loan capital	Interest rate	–	–	(4)	–
Loan capital	Foreign exchange	(86)	–	85	–
Highly probable forecast transactions	Commodity price	(16)	–	(44)	–
Net investment hedges					
Foreign operations	Foreign exchange	–	(6)	–	(14)
Total		**1,018**	**(6)**	2,535	(14)

1 Represents the accumulated effective amount of the hedging instrument deferred to Cash flow hedge reserve. The cumulative amount related to ceased hedge relationships where the risk being hedged was interest rate and foreign exchange risk is a loss of $3 million (30 June 2020: $11 million loss). A cumulative loss of $19 million related to ceased hedge relationships was amortised to Income Statement during the period (30 June 2020: $5 million gain).

2 Represents the accumulated effective amount of the hedging instrument deferred to Foreign currency translation reserve. The cumulative amount related to ceased hedge relationships where the risk being hedged was foreign exchange risk is nil (30 June 2020: nil).

Notes to the financial statements
For the year ended 30 June 2021

5.4 Derivative financial instruments and hedge accounting (continued)

Hedge effectiveness

The tables below details effectiveness of the Group's and the Bank's hedges by the type of hedge relationship and the type of hedged risk.

	Group					
	30 Jun 21			30 Jun 20		
	Change in value of hedged item [1] $M	Change in value of hedging instrument $M	Hedge ineffectiveness recognised in Income Statement [2] $M	Change in value of hedged item [1] $M	Change in value of hedging instrument $M	Hedge ineffectiveness recognised in Income Statement [2] $M
Fair value hedges						
Interest rate	(350)	387	37	(590)	606	16
Interest rate and foreign exchange	3,257	(3,254)	3	(2,687)	2,666	(21)
Foreign exchange	(24)	24	–	(25)	25	–
Total fair value hedges	2,883	(2,843)	40	(3,302)	3,297	(5)
Cash flow hedges and net investment hedges						
Interest rate	1,219	(1,218)	1	(954)	945	(9)
Foreign exchange	(21)	20	(1)	(175)	175	–
Commodity prices	(28)	27	(1)	29	(29)	–
Total cash flow hedges and net investment hedges	1,170	(1,171)	(1)	(1,100)	1,091	(9)

1 Changes in value of the hedged item for Fair value hedges is recognised in Other banking income. Changes in value of the hedged item for Cash flow hedges are not recognised in the financial statements and are only used as a basis for calculating ineffectiveness. During the year, the unrealised losses deferred to the Cash flow hedge reserve were $1,161 million (30 June 2020: unrealised gains of $1,090 million) and a loss recognised in the Foreign currency translation reserve was $9 million (30 June 2020: unrealised gains of $1 million).

2 Hedge ineffectiveness is recognised in Other banking income.

	Bank					
	30 Jun 21			30 Jun 20		
	Change in value of hedged item [1] $M	Change in value of hedging instrument $M	Hedge ineffectiveness recognised in Income Statement [2] $M	Change in value of hedged item [1] $M	Change in value of hedging instrument $M	Hedge ineffectiveness recognised in Income Statement [2] $M
Fair value hedges						
Interest rate	(355)	392	37	(553)	510	(43)
Interest rate and foreign exchange	950	(951)	(1)	(1,715)	1,676	(39)
Foreign exchange	–	–	–	–	–	–
Total fair value hedges	595	(559)	36	(2,268)	2,186	(82)
Cash flow hedges and net investment hedges						
Interest rate	1,259	(1,261)	(2)	(955)	944	(11)
Foreign exchange	(202)	201	(1)	(90)	90	–
Commodity prices	(28)	27	(1)	29	(29)	–
Total cash flow hedges and net investment hedges	1,029	(1,033)	(4)	(1,016)	1,005	(11)

1 Changes in value of the hedged item for Fair value hedges is recognised in Other banking income. Changes in value of the hedged item for Cash flow hedges are not recognised in the financial statements and are only used as a basis for calculating ineffectiveness. During the year, the unrealised losses deferred to the Cash flow hedge reserve were $1,020 million (30 June 2020: unrealised gains of $1,004 million), and a loss was recognised in the Net investment hedge reserve was $9 million (30 June 2020: unrealised gains of $1 million).

2 Hedge ineffectiveness is recognised in Other banking income.

Notes to the financial statements

For the year ended 30 June 2021

5.4 Derivative financial instruments and hedge accounting (continued)

ACCOUNTING POLICIES

Derivatives transacted for hedging purposes

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

Hedging strategy and hedge accounting

The Group risk management strategy (refer to notes 9.1 and 9.3) is to manage market risks within risk limits to minimise profit and capital volatility. The use of derivative and other hedging instruments for hedging purposes gives rise to potential volatility in the Income Statement because of mismatches in the accounting treatment between derivatives and other hedging instruments and the underlying exposures being hedged. The Group's and the Bank's objective is to reduce volatility in the Income Statement by applying hedge accounting.

Fair value hedges

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

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

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

Cash flow hedges

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

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

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

Net investment hedges

The Group holds investments in foreign operations, where changes in net assets resulting from changes in foreign currency rates are recognised in the Foreign currency translation reserve and results in volatility in shareholders' equity. To protect against the foreign currency risk, the Group enters into foreign currency forwards that are designated as hedging instruments in net investment hedges. Gains and losses on derivative contracts relating to the effective portion of the net investment hedge are recognised in the Foreign currency translation reserve in equity. Ineffective portions are recognised immediately in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign subsidiary or branch is disposed of.

Risk components

In some hedging relationships, the Group and the Bank designate risk components of hedged items as follows:

- benchmark interest rate risk as a component of interest rate risk, such as the Bank Bill Benchmark Rate component; and
- spot exchange rate risk as a component of foreign currency risk for foreign currency financial assets and liabilities.

Hedging the benchmark interest rate risk or spot exchange rate risk components results in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship.

Economic relationships and hedge effectiveness

The Group performs both prospective and retrospective tests to determine the economic relationship between the hedged item and the hedging instrument, and to assess hedge effectiveness. At inception of the hedge relationship, prospective testing is performed on a matched terms basis. This test checks that the critical terms are matched between the hedging instrument and the hedged item. At the same time a hedging ratio is established by matching the notional of the derivatives with the principal of the portfolio or financial instruments being hedged, in most cases the ratio is 100%. Retrospective testing for each reporting period uses a regression model, which compares the change in the fair value of the hedged item and the change in the fair value of the hedging instrument. For a hedge to be deemed effective, the change in fair values should be within 80% to 125% of each other. Should the result fall outside this range the hedge would be deemed ineffective and recognised immediately through the Income Statement in line with each hedge relationship policy above.

5.4 Derivative financial instruments and hedge accounting (continued)

Sources of hedge ineffectiveness affecting hedge accounting are:

- differences in discounting between the hedged item and the hedging instrument. Collateralised derivatives are discounted using Overnight Indexed Swaps (OIS) discount curves, which are not applied to the hedged item;
- change in the credit risk of the hedging instrument; and
- mismatches between the contractual terms of the hedged item and the hedging instrument.

No other sources of hedge ineffectiveness have arisen during the year.

Embedded derivatives

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

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

IBOR reform

The Group has designated hedge relationships where hedged items and/or hedging instruments reference LIBOR. IBOR based benchmark rates are being transitioned to risk-free rates (RFRs), as discussed in note 12.4. The table below provides more information on the hedge accounting relationships that are directly impacted by the IBOR reform. The majority of hedging derivatives are subject to the ISDA Fallbacks Protocol for converting LIBORs to RFRs plus a spread when an index cessation event occurs.

The UK Financial Conduct Authority's (FCA) announcement on the future cessation and loss of representativeness of LIBOR benchmarks on 5 March 2021 constituted such an index cessation event. As such, the spread adjustment to be applied to such derivative contracts upon fallback has been fixed. The Group has concluded that uncertainty remains with respect to the timing of transition of the IBOR-based cash flows of these hedging instruments. The assessment of whether uncertainty has ceased, has considered the likelihood of the FCA declaring a rate unrepresentative at an earlier date and the potential for proactive transition of positions from IBORs, rather than reliance on fallback clauses. As a result, the relief afforded to the Group under AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*, which was early adopted during the financial year ended 30 June 2020 continues to apply.

Hedging instruments

	Notional designated beyond cessation date							
	USD Libor $M	GBP Libor $M	CHF Libor $M	JPY Libor $M	Total [1] $M	Notional designated up to cessation date [2] $M	Other not impacted by IBOR reform [3] $M	Total notional $M
Cash flow hedges	2,643	–	–	–	2,643	8,948	385,257	396,848
Fair value hedges	32,044	3,966	2,389	2,311	40,710	10,574	78,496	129,780

Hedged items

	Carrying values of financial instruments designated as hedged items beyond cessation date [4]			
	USD Libor $M	GBP Libor $M	CHF Libor $M	JPY Libor $M
Investment securities through OCI	9,452	2,711	–	1,703
Debt issues	14,969	1,507	2,411	232
Loan capital	9,787	–	–	472
Deposits and other public borrowings	1,127	–	–	–
Loans	1,190	–	–	–

1 Hedging instrument notional directly impacted by IBOR reform.
2 Hedging instrument notional linked to IBOR that matures before benchmark cessation dates (USD Libor: 30 June 2023; GBP, CHF and JPY: 31 December 2021)
3 Hedging instrument notional not impacted by IBOR reform.
4 Hedged item carrying value directly impacted by IBOR reform.

Notes to the financial statements
For the year ended 30 June 2021

5.5 Investment securities

	Group		Bank	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	$M	$M	$M	$M
Investment securities at fair value through OCI				
Government bonds, notes and securities	**61,897**	57,190	**57,875**	53,558
Corporate and financial institution bonds, notes and securities	**12,340**	12,971	**10,557**	11,502
Covered bonds, mortgage backed securities and SSA [1]	**9,533**	8,818	**7,519**	6,719
Shares and equity investments	**2,790**	570	**2,750**	556
Total investment securities at fair value through OCI	**86,560**	79,549	**78,701**	72,335
Investment securities at amortised cost				
Mortgage backed securities	**4,278**	5,168	**4,278**	5,167
Government bonds, notes and securities	**–**	5	**–**	–
Total investment securities at amortised cost	**4,278**	5,173	**4,278**	5,167
Total investment securities	**90,838**	84,722	**82,979**	77,502

1 Supranational, Sovereign and Agency Securities (SSA).

As at 30 June 2021, investment securities at fair value through other comprehensive income expected to be recovered within 12 months of the Balance Sheet date were $7,220 million (2020: $12,679 million) for the Group, and $6,543 million (2020: $10,494 million) for the Bank. As at 30 June 2021, investment securities at amortised cost amounts expected to be recovered within 12 months of the Balance Sheet date were $1,309 million (2020: $1,655 million) for the Group and the Bank.

Maturity distribution and yield analysis

	Group Maturity period at 30 June 2021									
	0 to 1 year		1 to 5 years		5 to 10 years		10 or more years		Non-maturing	Total
	$M	%	$M	%	$M	%	$M	%	$M	$M
Investment securities at fair value through OCI										
Government bonds, notes and securities	3,927	0. 11	28,360	0. 51	27,653	1. 26	1,957	1. 95	–	**61,897**
Corporate and financial institution bonds, notes and securities	2,856	0. 16	9,232	0. 63	252	2. 02	–	–	–	**12,340**
Covered bonds, mortgage backed securities and SSA	440	0. 21	6,710	0. 58	1,624	0. 45	759	1. 60	–	**9,533**
Shares and equity investments	–	–	–	–	–	–	–	–	2,790	**2,790**
Total investment securities at fair value through OCI	**7,223**		**44,302**		**29,529**		**2,716**		**2,790**	**86,560**
Investment securities at amortised cost										
Mortgage backed securities	–	–	73	0. 65	4	0. 53	4,201	0. 89	–	**4,278**
Total investment securities	**7,223**		**44,375**		**29,533**		**6,917**		**2,790**	**90,838**

5.5 Investment securities (continued)

ACCOUNTING POLICIES

Investment securities primarily include public debt securities held as part of the Group's liquidity portfolio.

Investment securities at fair value through other comprehensive income

Debt securities

This category includes debt securities held within the business model whose objective is achieved by both collecting contractual cash flows and selling the assets. The contractual cash flows on these financial assets comprise payments of principal and interest only. These securities are initially recognised at their fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value through other comprehensive income.

Interest income and foreign exchange gains and losses on these securities are recognised in the Income Statement. The securities are assessed for impairment using the expected credit loss approach described in Note 3.2. Impairment is recognised in the Loan impairment expense line in the Income Statement.

When debt securities at fair value through other comprehensive income are derecognised, the cumulative gain or loss recognised in other comprehensive income is reclassified to the Other banking income line in the Income Statement.

Equity securities

This category also includes non-traded equity instruments designated at fair value through other comprehensive income. Fair value gains and losses and foreign exchange gains and losses on these equity instruments are recognised in other comprehensive income and are not reclassified to the Income Statement on derecognition.

Investment securities at amortised cost

This category includes debt securities held within the business model whose objective is to hold financial assets in order to collect contractual cash flows. The contractual cash flows on these financial assets comprise the payment of principal and interest only. These securities are initially recognised at their fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method and are presented net of provisions for impairment. For the accounting policy on provisions for impairment, refer to Note 3.2.

Notes to the financial statements
For the year ended 30 June 2021

6. Other assets

OVERVIEW

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

6.1 Property, plant and equipment

	Group		Bank	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 21 $M	30 Jun 20 $M
Right-of-use assets				
At cost	**4,048**	3,505	**3,711**	3,195
Accumulated depreciation	**(1,056)**	(521)	**(970)**	(470)
Closing balance	**2,992**	2,984	**2,741**	2,725
Land and buildings				
At 30 June valuation	**491**	438	**450**	394
Total land and buildings	**491**	438	**450**	394
Leasehold improvements				
At cost	**1,522**	1,645	**1,341**	1,465
Accumulated depreciation	**(1,058)**	(1,109)	**(944)**	(999)
Closing balance	**464**	536	**397**	466
Equipment				
At cost	**1,940**	2,171	**1,368**	1,823
Accumulated depreciation	**(1,450)**	(1,671)	**(1,080)**	(1,456)
Closing balance	**490**	500	**288**	367
Total right-of-use assets and property, plant and equipment held for own use	**4,437**	4,458	**3,876**	3,952
Assets held as lessor				
At cost	**1,227**	1,503	**108**	136
Accumulated depreciation and impairment	**(380)**	(359)	**(31)**	(37)
Closing balance	**847**	1,144	**77**	99
Total property, plant and equipment	**5,284**	5,602	**3,953**	4,051

Notes to the financial statements
For the year ended 30 June 2021

6.1 Property, plant and equipment (continued)

Reconciliation of movements in the carrying amount of Property, plant and equipment is set out below:

	Group		Bank	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 21 $M	30 Jun 20 $M
Right-of-use assets				
Carrying amount at the beginning of the year	**2,984**	–	**2,725**	–
Adoption of AASB 16	**–**	2,659	**–**	2,385
Additions	**599**	963	**525**	894
Disposals	**(10)**	(111)	**(7)**	(82)
Depreciation	**(554)**	(521)	**(499)**	(470)
Reclassification to assets held for sale	**(20)**	–	**–**	–
Foreign currency translation adjustment	**(7)**	(6)	**(3)**	(2)
Carrying amount at the end of the period	**2,992**	2,984	**2,741**	2,725
Land and buildings				
Carrying amount at the beginning of the year	**438**	442	**394**	399
Additions	**83**	15	**83**	15
Disposals	**(12)**	(8)	**(11)**	(5)
Net revaluations	**21**	24	**23**	20
Depreciation	**(39)**	(34)	**(39)**	(34)
Foreign currency translation adjustment	**–**	(1)	**–**	(1)
Carrying amount at the end of the year	**491**	438	**450**	394
Leasehold improvements				
Carrying amount at the beginning of the year	**536**	546	**466**	474
Additions	**63**	117	**42**	102
Disposals	**(11)**	(5)	**(10)**	(4)
Depreciation	**(119)**	(118)	**(101)**	(105)
Reclassification to assets held for sale	**(5)**	–	**–**	–
Foreign currency translation adjustment	**–**	(4)	**–**	(1)
Carrying amount at the end of the year	**464**	536	**397**	466
Equipment				
Carrying amount at the beginning of the year	**500**	510	**367**	411
Additions	**88**	146	**57**	81
Disposals	**(9)**	(6)	**(5)**	(3)
Depreciation	**(173)**	(186)	**(143)**	(159)
Other transfers [1]	**72**	–	**–**	–
Foreign currency translation adjustment	**12**	36	**12**	37
Carrying amount at the end of the year	**490**	500	**288**	367
Assets held as lessor				
Carrying amount at the beginning of the year	**1,144**	885	**99**	105
Additions	**–**	567	**–**	–
Disposals	**(38)**	(144)	**(16)**	–
Other transfers [1]	**(72)**	–	**–**	–
Impairment losses [2]	**(112)**	(81)	**–**	–
Depreciation	**(75)**	(83)	**(6)**	(6)
Carrying amount at the end of the year	**847**	1,144	**77**	99
Total property, plant and equipment	**5,284**	5,602	**3,953**	4,051

1 During the year ended 30 June 2021, $72 million of assets under leases were transferred to the equipment category as a result of repossession or lease expiry.

2 During the year ended 30 June 2021, due to the impact of COVID-19 on the aviation sector, a total impairment of $112 million was recognised in Other banking income in Institutional Banking and Markets relating to aircraft which are owned by the Group and leased to various airlines (30 June 2020: $81 million).

Notes to the financial statements
For the year ended 30 June 2021

6.1 Property, plant and equipment (continued)

ACCOUNTING POLICIES

The Group measures its land and buildings at fair value, based on annual independent market valuations performed during the year. These fair values fall under the Level 3 category of the fair value hierarchy as defined in Note 9.5. Revaluation adjustments are reflected in the Asset revaluation reserve, except to the extent they reverse a revaluation decrease of the same asset previously recognised in the Income Statement. Upon disposal, realised amounts in the Asset revaluation reserve are transferred to Retained profits.

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

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

Right-of-use assets	Unexpired lease term
Land	Indefinite, not depreciated
Buildings	Up to 30 years
Equipment	3–25 years
Leasehold improvements	Lower of unexpired lease term or lives as above
Assets held as lessor:	
Aircraft	25 years
Rail	35–40 years
Ships	25–40 years

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. Where the Group is a lessee, all leases will be recognised on the Balance Sheet as a lease liability and right-of-use asset, unless the underlying asset is of low value or the lease has a term of 12 months or less. Rentals of leases with low value underlying assets or where the lease term is 12 months or less are recognised over the lease term as Operating expenses in the Income Statement.

Right-of-use assets are initially measured at cost comprising the following:

- the initial amount of the lease liability measured at the present value of the future lease payments;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- an estimate of the costs to be incurred upon disassembling or restoring the underlying asset to the condition required by the terms of the lease.

The right-of-use asset is depreciated over the lease term on a straight-line basis within Operating expenses in the Income Statement.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in the Income Statement if the carrying amount of the right-of-use asset has been fully written down.

Critical accounting judgements and estimates

Judgement has been applied by the Group in assessing which arrangements contain a lease, the period over which the lease exists and the variability of future cash flows when recognising right-of-use assets. The Group assesses at each Balance Sheet date useful lives and residual values and whether there is any objective evidence of impairment.

In determining the value in use of assets held as lessor, the Group incorporates the cash inflows over the lease term, as well as the expected selling price on expiry of the lease. Market disruption, lower demand for assets, decline in asset prices as well as credit events specific to individual lessees can result in a reduction of the asset's recoverable values. There remains significant uncertainty regarding the severity of the impact of COVID-19 on the aviation sector, and the duration of restrictions on domestic and international travel.

If an asset's carrying amount is greater than its recoverable amount, the carrying amount is immediately written down to its recoverable amount.

6.2 Intangible assets

	Group [1]		Bank [1]	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	$M	$M	$M	$M
Goodwill				
Purchased goodwill at cost	**5,317**	5,284	**2,522**	2,522
Closing balance	**5,317**	5,284	**2,522**	2,522
Computer software costs				
Cost	**4,236**	4,378	**3,716**	3,910
Accumulated amortisation	**(2,809)**	(3,082)	**(2,485)**	(2,800)
Closing balance	**1,427**	1,296	**1,231**	1,110
Brand names [2]				
Cost	**186**	201	**186**	186
Accumulated amortisation	**–**	–	**–**	–
Closing balance	**186**	201	**186**	186
Other intangibles [3]				
Cost	**50**	267	**38**	231
Accumulated amortisation	**(38)**	(157)	**(38)**	(141)
Closing balance	**12**	110	**–**	90
Total intangible assets	**6,942**	6,891	**3,939**	3,908

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

2 Brand names include the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life, as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. The brand name is not subject to amortisation, but requires annual impairment testing. No impairment was recognised during the year. During the year ended 30 June 2021, Aussie Home Loans brand name of $15 million was reclassified to assets held for sale and subsequently derecognised.

3 During the year ended 30 June 2021, customer relationships intangibles of $15 million in relation to Aussie Home Loans were reclassified to assets held for sale and subsequently derecognised.

Impairment tests for goodwill and intangible assets with indefinite lives

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

Earnings multiples relating to the Group's banking cash-generating units are sourced from publicly available data associated with Australian businesses displaying similar characteristics to those cash-generating units, and are applied to current earnings. The key assumption is the Price-Earnings (P/E) multiple observed for these businesses, which for the banking businesses were in the range of 13.1x–14.8x (2020: 11.8x–12.7x).

Goodwill allocation to cash generating units

	Group [1]		Bank [1]	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	$M	$M	$M	$M
Retail Banking Services	**3,803**	3,828	**2,023**	2,023
Business Banking	**1,220**	1,183	**499**	499
New Zealand	**263**	262	**–**	–
Corporate Centre and Other	**31**	11	**–**	–
Total	**5,317**	5,284	**2,522**	2,522

1 Comparative information has been restated to reflect re-segmentation detailed in Note 1.1.

Notes to the financial statements

For the year ended 30 June 2021

6.2 Intangible assets (continued)

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

	Group [1]		Bank [1]	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 21 $M	30 Jun 20 $M
Goodwill				
Opening balance	**5,284**	5,974	**2,522**	2,522
Additions	**54**	–	**–**	–
Reclassification to assets held for sale	**(24)**	(704)	**–**	–
Transfers/disposals/other adjustments	**3**	14	**–**	–
Closing balance	**5,317**	5,284	**2,522**	2,522
Computer software costs				
Opening balance	**1,296**	1,712	**1,110**	1,554
Additions [2]	**553**	347	**466**	334
Amortisation and write-offs [3]	**(422)**	(762)	**(345)**	(778)
Reclassification to assets held for sale	**–**	(1)	**–**	–
Closing balance	**1,427**	1,296	**1,231**	1,110
Brand names				
Opening balance	**201**	201	**186**	186
Reclassification to assets held for sale	**(15)**	–	**–**	–
Closing balance	**186**	201	**186**	186
Other intangibles				
Opening balance	**110**	78	**90**	55
Additions	**39**	210	**27**	209
Amortisation and impairment	**(122)**	(178)	**(117)**	(174)
Reclassification to assets held for sale	**(15)**	–	**–**	–
Closing balance	**12**	110	**–**	90
Total intangible assets	**6,942**	6,891	**3,939**	3,908

1 Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.1.
2 Primarily relates to internal development costs.
3 Includes amounts associated with discontinued operations.

6.2 Intangible assets (continued)

ACCOUNTING POLICIES

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

Goodwill

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

Computer software costs

Certain internal and external costs directly incurred in acquiring and developing software, are capitalised and amortised over the estimated useful life on a straight-line basis. The majority of software projects are amortised over three to five years. Software maintenance is expensed as incurred.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are generally recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems and meets the recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

Following the change in the amortisation method for the core banking software during the year ended 30 June 2020, it is amortised by applying a diminishing balance methodology, over a useful life of approximately nine years. Prior to this change, the core banking software was amortised on a straight-line basis over ten years.

Brand names

Brand names include the Bankwest brand name acquired in a business combination and initially recognised at fair value. The Bankwest brand name has an indefinite useful life as there is no foreseeable limit to the period over which it is expected to generate cash flows. The Aussie Home Loans brand name was reclassified to assets held for sale and was subsequently derecognised on the completion of the divestment.

Other intangibles

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

Critical accounting judgements and estimates

Goodwill is allocated to CGUs whose recoverable amount is calculated for the purpose of impairment testing. The recoverable amount calculation relies primarily on publicly available earnings multiples, which are disclosed on page 182.

Notes to the financial statements
For the year ended 30 June 2021

6.3 Other assets

		Group		Bank	
		30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	Note	$M	$M	$M	$M
Accrued interest receivable		**1,689**	1,901	**1,727**	1,980
Accrued fees and reimbursements receivable [1]		**826**	1,067	**204**	216
Securities sold not delivered		**2,946**	3,640	**2,399**	3,002
Intragroup current tax receivable		**–**	–	**200**	209
Current tax assets		**123**	16	**108**	10
Prepayments		**465**	333	**355**	217
Defined benefit superannuation plan surplus	10.2	**521**	681	**521**	681
Other [2]		**218**	1,201	**170**	602
Total other assets		**6,788**	8,839	**5,684**	6,917

1 Accrued fees and reimbursements receivable as at 30 June 2021 include trail commission receivable of $149 million for the Group (30 June 2020: $453 million).
2 As at 30 June 2021, other assets include $47 million of proceeds receivable in relation to divestments of businesses (30 June 2020: $654 million).

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

ACCOUNTING POLICIES

Other assets include interest and fee receivables, current tax assets, prepayments, receivables on unsettled trades and the surplus within defined benefit plans. Interest receivables are recognised on an accruals basis, fees and reimbursements receivable are recognised once the service is provided and trade date accounted securities sold not delivered, consistent with the Group's policy for all financial assets measured at fair value through profit or loss or at fair value through other comprehensive income, are recognised between trade execution and final settlement. The remaining other assets are recognised on an accrual or service performed basis and amortised over the period in which the economic benefits from these assets are received. Further defined benefit plan details are provided in Note 10.2.

7. Other liabilities

OVERVIEW

Other liabilities include provisions, interest payable, fees and bills payable and unsettled trades. Provisions principally cover annual leave and long service leave employee entitlements as well as general insurance claims, customer remediation, compliance and regulation programs, litigations and restructuring. It also includes provisions for impairment losses on financial guarantees and other off Balance Sheet instruments issued by the Group.

Certain provisions involve significant judgement to determine the likely outcome of events as well as a reliable estimate of the outflow. Where future events are uncertain, or where the outflow cannot be reliably determined, these are disclosed as contingent liabilities. Contingent liabilities are not recognised on the Group's Balance Sheet but are disclosed in Note 12.1. Contingent liabilities, and in Note 7.1, in respect of litigation, investigations and reviews.

7.1 Provisions

		Group [1]		Bank [1]	
		30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	Note	$M	$M	$M	$M
Employee entitlements		**1,140**	1,092	**950**	963
General insurance claims		**391**	338	**–**	–
Customer remediation		**1,177**	1,031	**1,175**	1,034
Dividends	8.4	**114**	121	**114**	121
Compliance and regulation		**183**	188	**123**	188
Restructuring		**362**	324	**362**	321
Off Balance Sheet instruments		**111**	119	**103**	113
Other		**255**	248	**209**	227
Total provisions		**3,733**	3,461	**3,036**	2,967

Maturity distribution of provisions

	Group [1]		Bank [1]	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	$M	$M	$M	$M
Less than 12 months	**2,869**	2,826	**2,271**	2,416
More than 12 months	**864**	635	**765**	551
Total provisions	**3,733**	3,461	**3,036**	2,967

1 Comparative information has been restated to reflect the prior period restatement detailed in Note 1.1.

Notes to the financial statements
For the year ended 30 June 2021

7.1 Provisions (continued)

	Group		Bank	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
Reconciliation	$M	$M	$M	$M
General insurance claims:				
Opening balance	**338**	292	**–**	–
Movement in reinsurance and other recoveries on outstanding claims	**(31)**	61	**–**	–
Net claims incurred	**558**	573	**–**	–
Movement in prior year claims	**(9)**	(16)	**–**	–
Amounts utilised during the year	**(465)**	(572)	**–**	–
Closing balance	**391**	338	**–**	–
Customer remediation:				
Opening balance	**1,031**	959	**1,034**	901
Additional provisions [1]	**451**	445	**449**	448
Amounts utilised during the year	**(289)**	(327)	**(292)**	(315)
Release of provisions	**(16)**	–	**(16)**	–
Reclassification to liabilities held for sale	**–**	(46)	**–**	–
Closing balance	**1,177**	1,031	**1,175**	1,034
Compliance and regulation:				
Opening balance	**188**	213	**188**	213
Additional provisions [2]	**148**	107	**88**	107
Amounts utilised during the year	**(136)**	(132)	**(136)**	(132)
Release of provisions	**(17)**	–	**(17)**	–
Closing balance	**183**	188	**123**	188
Restructuring:				
Opening balance	**324**	240	**321**	242
Additional provisions	**264**	223	**261**	218
Amounts utilised during the year	**(222)**	(115)	**(216)**	(115)
Release of provisions	**(4)**	(24)	**(4)**	(24)
Closing balance	**362**	324	**362**	321
Off Balance sheet instruments:				
Opening balance	**119**	84	**113**	82
Additional provisions	**1**	48	**–**	44
Release of provisions	**(9)**	(13)	**(10)**	(13)
Closing balance	**111**	119	**103**	113
Other:				
Opening balance	**248**	91	**227**	91
Changes on adoption of AASB 16	**–**	135	**–**	121
Additional provisions	**26**	46	**2**	43
Amounts utilised during the year	**(19)**	(24)	**(20)**	(28)
Closing balance	**255**	248	**209**	227

1 Customer remediation includes provisions for Aligned Advice, Banking and other Wealth Management remediation including related program costs.

2 Compliance and regulation includes additional provisions recognised during the year ended 30 June 2021 for litigation related costs. Prior year includes provisions raised for Financial Crimes Compliance Program of Action, Better Risk Outcome Program (BROP) and litigation related costs.

ACCOUNTING POLICIES

Provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated. Where the effect of the time value of money is material, the amount of the provision is measured as the present value of expenditures required to settle the obligation, based on a market observable rate. Where a payment to settle an obligation is not probable or cannot be reliably estimated, no provision is recognised. Such obligations are disclosed as contingent liabilities.

Notes to the financial statements

For the year ended 30 June 2021

7.1 Provisions (continued)

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

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

General insurance claims

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

Customer remediation

This provision covers customer remediation costs and related program costs.

Dividends

This provision relates to dividends for prior periods which have not been settled at the balance sheet date.

Compliance and regulation

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

Restructuring provision

The provision includes direct expenditures arising from changes in the scope of the Group's business relating primarily to divestment transactions. The provision includes costs, which are both necessarily entailed by the divestment and are not associated with the ongoing activities of the Group. A provision for restructuring costs is only recognised when the Group has a detailed formal restructuring plan and the restructuring has either commenced or has been publicly announced.

Other provisions

Other provisions include self-insurance provisions, make-good provisions in relation to property leases, and provisions for certain other costs.

Critical accounting judgements and estimates

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

Customer remediation

Provisions for customer remediation require significant levels of estimation and judgement. The amount raised depends on a number of different assumptions, such as the number of years impacted, the forecast refund rate and the average cost per case. The Group is committed to comprehensively and efficiently addressing the full range of remediation issues impacting customers of the Banking and Wealth Management businesses. Significant resources have been committed to a comprehensive program of work, to ensure that all issues are identified and addressed.

Aligned Advice remediation – ongoing service fees

Aligned advisors were not employed by the Group but were representatives authorised to provide financial advice under the licences of the Group's subsidiaries, Financial Wisdom Limited (FWL), Count Financial Limited (Count Financial) and Commonwealth Financial Planning Limited-Pathways (CFP-Pathways).

The Group completed the sale of Count Financial to CountPlus Limited (CountPlus) on 1 October 2019, and ceased providing licensee services through CFP-Pathways and Financial Wisdom in March and June 2020, respectively. The Bank entered into reimbursement agreements with Financial Wisdom and CFP-Pathways, and an indemnity deed with CountPlus, to cover potential remediation of past issues including ongoing service fees charged where no service was provided. For details on the reimbursement agreements and the indemnity deed refer to Note 11.2.

During the year ended 30 June 2021, the Group recognised an increase in the provision for Aligned Advice remediation issues and program costs of $273 million, including ongoing service fees charged where no service was provided.

As at 30 June 2021, the provision held by the Group in relation to Aligned Advice remediation was $1,018 million (30 June 2020: $804 million). The provision includes $468 million for customer fee refunds (30 June 2020: $418 million), $423 million for interest on fees subject to refunds (30 June 2020: $280 million) and $127 million for costs to implement the remediation program (30 June 2020: $106 million).

The Group's estimate of the proportion of fees to be refunded is based on sample testing and allows for a threshold below which customers will be automatically refunded without detailed assessment. It assumes an average refund rate across licensees of 39% (30 June 2020: 37%). This compares to a refund rate of 22%, which was paid for our salaried advisors. An increase/(decrease) in the failure rate by 1% would result in an increase/(decrease) in the provision of approximately $20 million. The Group is continuing to engage with ASIC in relation to its remediation approach.

Notes to the financial statements

For the year ended 30 June 2021

7.1 Provisions (continued)

Banking and other Wealth customer remediation

As at 30 June 2021, the provision held by the Group in relation to Banking and other Wealth Management customer remediation programs was $159 million (30 June 2020: $227 million). The provision for Banking remediation includes an estimate of customer refunds (including interest) relating to business and retail banking products (including bank guarantees, cash deposit accounts, merchants billing and certain other lending products), and the related program costs. The wealth remediation provision includes an estimate of customer refunds (including interest) relating to advice quality, the Consumer Credit Insurance products, certain superannuation and other products, and the related program costs.

Litigation, investigations and reviews

The Group is party to a number of legal proceedings, and the subject of various investigations and reviews. Provisions have been raised in accordance with the principles outlined in the accounting policy section of this note.

Litigation

The main litigated claims against the Group as at 30 June 2021 are summarised below.

Shareholder class actions

In October 2017 and June 2018 two separate shareholder class action proceedings were filed against CBA in the Federal Court of Australia, alleging breaches of CBA's continuous disclosure obligations and misleading and deceptive conduct in relation to the subject matter of the civil penalty proceedings brought against CBA by the Australian Transaction Reports and Analysis Centre (AUSTRAC). The AUSTRAC proceedings concerned contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth).

The resolution of the AUSTRAC civil penalty proceedings was approved by the Federal Court on 20 June 2018 with CBA paying a penalty of $700 million and legal costs.

It is alleged in the class actions that CBA shareholders who acquired an interest in CBA shares between 16 June 2014 and 3 August 2017 suffered losses as a result of the alleged conduct. The two class actions are being case managed together, with a single harmonised statement of claim. CBA denies the allegations made against it, and it is currently not possible to determine the ultimate impact of these claims, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of the claims.

Superannuation class actions

The Group is also defending four class action claims in relation to superannuation products.

On 9 October 2018, a class action was filed against Colonial First State Investments Limited (CFSIL) and CBA in the Federal Court of Australia. The claim initially related to investment in cash and deposit options (which are cash and deposit products provided by CBA) in the Colonial First State First Choice Superannuation Trust (FirstChoice Fund) and Commonwealth Essential Super (CES). A second further amended statement of claim and amended application was filed on 2 June 2020, joining Avanteos Investments Limited (AIL) as a party in respect of claims regarding the FirstWrap Pooled Cash Account and expanding the existing claims made against CFSIL and CBA. The main claims are that members invested in these cash and deposit options received lower interest rates than they could have received had CFSIL/AIL offered similar products made available in the market by another bank with comparable risk and that CFSIL/AIL retained the margin that arises through the internal transfer pricing process in respect of deposits made with CBA, for their own benefit. It is claimed CFSIL/AIL breached their duties as a trustee of the funds, CFSIL breached its duties as a Responsible Entity of the underlying managed investment schemes and that CBA was involved in CFSIL/AIL's breaches. CBA, CFSIL and AIL deny the allegations and are defending the proceedings.

On 18 October 2019, a second class action was commenced against CFSIL in the Federal Court of Australia. The claim relates to certain fees charged to members of the FirstChoice Fund. It is alleged that CFSIL breached its duties as trustee and acted unconscionably because it failed, between 2013 and 2019, to take steps to avoid the payment of grandfathered commissions to financial advisers, which would have resulted in a reduction of the fees paid by members in respect of whom those commissions were paid. CFSIL denies the allegations and is defending the proceedings. A mediation in this matter is likely in the last quarter of 2021.

On 24 October 2019, a third class action was filed against CFSIL and a former executive director of CFSIL in the Federal Court of Australia, relating to alleged contraventions of statutory obligations under superannuation law and trustee breaches in the period 2013 to 2017. The class action relates to the transfer of certain default balances held by members of FirstChoice Employer Super to a MySuper product. The key allegation is that members should have been transferred to a MySuper product earlier than they were, and that the alleged failure to effect the transfer as soon as reasonably practicable caused affected members to pay higher fees and receive lower investment returns during the period of delay. CFSIL and its former director deny the allegations and are defending the proceedings. A mediation in this matter is likely in the first quarter of 2022.

On 22 January 2020, a fourth class action was filed against CFSIL and The Colonial Mutual Life Assurance Society Limited (CMLA) in the Federal Court of Australia. The class action alleges that CFSIL did not act in the best interests of members and breached its trustee duties when taking out group insurance policies obtained from CMLA. The key allegation is that CFSIL entered into and maintained insurance policies with CMLA on terms that were less favourable to members than would have reasonably been available in the market. It is alleged that CMLA was knowingly involved in CFSIL's contraventions as trustee and profited from those contraventions. CFSIL and CMLA deny the allegations and are defending the proceedings.

It is currently not possible to determine the ultimate impact of these claims on the Group. The Group has provided for the legal costs expected to be incurred in the defence of the claims.

7.1 Provisions (continued)

Advice Class Actions

On 21 August 2020, a class action was filed in the Federal Court of Australia against Commonwealth Financial Planning Limited (CFP), Financial Wisdom Limited (FWL) and CMLA. The claim relates to certain CommInsure (CMLA) life insurance policies recommended by financial advisers appointed by CFP and FWL during the period 21 August 2014 to 21 August 2020. The key allegations include that CFP and FWL or their financial advisers breached their fiduciary duties to their clients, breached their duty to act in the best interest of their clients, and had prioritised their own interests (and the interests of CFP, FWL and CMLA) over the interest of their clients, in recommending certain CommInsure life insurance policies in preference to substantially equivalent or better policies available at lower premiums from third party insurers. It is also alleged that CMLA is liable to account for excess premiums because it knew the material facts giving rise to the breaches of fiduciary duty. CFP, FWL and CMLA are defending the proceedings.

On 3 September 2020, CBA was notified of a class action commenced against Count Financial Limited (Count) in the Federal Court of Australia on 24 August 2020. The proceeding relates to commissions paid to Count and its authorised representative financial advisers in respect of financial products (including insurance) and certain obligations of its financial advisers to provide ongoing advice in the period from 21 August 2014 to 21 August 2020. The claim also includes allegations (related to the receipt of commissions) that Count engaged in misleading or deceptive conduct, and that Count and its authorised representatives breached fiduciary duties owed to the applicant and group members. The claim seeks compensation and damages from Count, including any profits resulting from the contraventions.

Count was a wholly owned subsidiary of CBA until 1 October 2019, when it was acquired by CountPlus Limited. CBA has assumed the conduct of the defence in this matter on Count's behalf. Count is defending the proceedings.

It is currently not possible to determine the ultimate impact of these claims on the Group. The Group has provided for legal costs expected to be incurred in the defence of these claims.

US BBSW class action

In 2016, a class action was commenced in the United States District Court in New York against CBA, other banks and two brokers, claiming a conspiracy among competitors to manipulate the BBSW benchmark for mutual gain. The claims include allegations that United States racketeering and antitrust legislation have been contravened. In November 2018, the Court dismissed the claims against CBA and the other foreign defendants, but in April 2019, an amended complaint was filed that included new allegations and added a new named plaintiff. The defendants applied to the Court to dismiss the amended complaint. In February 2020, the judge determined that the new named plaintiff's claims could proceed against CBA and nine other banks. CBA denies the allegations made against it in the amended complaint.

On 21 March 2021, CBA reached an agreement in principle with the plaintiffs to settle the action, the terms of which are currently confidential. The parties are in the process of negotiating the terms of a Deed of Settlement, which will be subject to Court approval. The approval hearing is likely to take place in 2022.

The Group has provided for legal costs expected to be incurred in the matter and the agreed settlement sum.

Consumer credit insurance class action

On 10 June 2020, a class action was commenced against CBA and CMLA in the Federal Court of Australia. The claim relates to consumer credit insurance for credit cards and personal loans that was sold between 1 January 2010 and 7 March 2018. The class action alleges that CBA and CMLA engaged in unconscionable and misleading or deceptive conduct, failed to act in the best interests of customers and provided them with inappropriate advice. In particular, it is alleged that some customers were excluded from claiming certain benefits under the policies and the insurance was therefore unsuitable or of no value. Allegations are also made in relation to the manner in which the insurance was sold. CBA and CMLA deny the allegations and are defending the proceedings.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of this claim.

ASIC regulatory enforcement proceedings

CFSIL My Super (29WA)

On 17 March 2020, ASIC commenced civil penalty proceedings against CFSIL in the Federal Court of Australia for alleged breaches of the *Australian Securities and Investments Commission Act 2001* (Cth) (ASIC Act) and *Corporations Act 2001* (Cth) (Corporations Act) arising from communications with members of the FirstChoice Fund. In 2012, the Australian government passed legislation requiring trustees, such as CFSIL, to allocate member contributions to a default MySuper superannuation product in certain circumstances including where a written investment direction had not been provided by the member. ASIC alleges, amongst other things, that CFSIL communicated with members both in template letters and on telephone calls, in a misleading or deceptive manner regarding the provision of investment directions to stay with CFSIL's FirstChoice Fund rather than transitioning to CFSIL's MySuper product.

CFSIL filed its response to the claim on 17 July 2020. ASIC filed an amended statement of claim which, amongst other things, includes additional telephone calls which it alleges were misleading or deceptive. A defence to the amended statement of claim was filed on 11 December 2020. A hearing on the question of liability has been listed for 6 September 2021.

It is currently not possible to determine the ultimate impact of this claim on the Group. The Group has provided for legal costs expected to be incurred in the defence of this claim.

Notes to the financial statements

For the year ended 30 June 2021

7.1 Provisions (continued)

Commonwealth Essential Super

On 22 June 2020, ASIC commenced civil penalty proceedings against CFSIL and CBA in the Federal Court of Australia for alleged contraventions of the conflicted remuneration provisions in the Corporations Act relating to the arrangements between CFSIL and CBA for the distribution of CES. CES is a MySuper product issued by CFSIL.

CBA filed its defence to the proceedings on 24 August 2020 and CFSIL filed its defence on 25 August 2020. CBA and CFSIL deny the allegations and are defending the proceedings. A hearing on the question of liability has been listed for 26 April 2022.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of this claim.

CBA business overdraft proceedings

On 1 December 2020, ASIC commenced civil penalty proceedings against CBA in this matter in the Federal Court of Australia. CBA did not defend the proceedings. On 12 February 2021, consistent with CBA's admissions, the Court made declarations that CBA contravened the general obligations under the Corporations Act and certain misleading and deceptive conduct provisions of the ASIC Act, in relation to overcharging of interest on certain business overdraft accounts for the period 1 December 2014 to 31 March 2018.

The overcharging affected 2,269 customers. The affected customers have been sent refunds and CBA's remediation program has concluded. At a hearing on 6 April 2021, the judge ordered CBA to pay a penalty of $7 million, which has now been paid. The Court is also considering the appropriate form of a corrective notice to be published by CBA.

The Group has provided for legal costs expected to be incurred in relation to the Court's consideration of the corrective notice.

CommSec/AUSIEX

On 1 March 2021, ASIC commenced proceedings against Commonwealth Securities Limited (CommSec) and Australian Investment Exchange Limited (AUSIEX) in the Federal Court of Australia. The proceedings relate to a number of issues including regulatory data requirements, trade confirmations requirements, client monies and brokerage issues. CommSec and AUSIEX are not defending the proceedings. A hearing has been listed for 3 March 2022 to determine penalties. CommSec and AUSIEX have also agreed to enter into a court-ordered compliance program.

AUSIEX was a subsidiary of the CBA Group until 3 May 2021. CBA has assumed carriage of the proceedings on AUSIEX's behalf.

It is currently not possible to determine the ultimate impact of this claim on the Group. The Group has provided for legal costs and the potential liability in this matter.

Monthly Account Fees

On 31 March 2021, ASIC commenced proceedings against CBA in the Federal Court of Australia. The proceedings relate to errors by CBA between 1 June 2010 and 11 September 2019 where monthly account fee waivers were not applied to accounts for certain customers. ASIC is alleging contraventions of certain misleading and deceptive conduct provisions of the ASIC Act and breaches of the general obligations under the Corporations Act. CBA does not accept the way the alleged contraventions have been formulated in the proceedings and is defending the proceedings.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of this claim.

Ongoing regulatory investigations and reviews

The Group undertakes ongoing compliance activities, including breach reporting, reviews of products, advice, conduct and services provided to customers, as well as interest, fees and premiums charged. Some of these activities have resulted in remediation programs and where required the Group consults with the relevant regulator on the proposed remediation action.

Provisions have been recognised by the Group where the criteria outlined in the accounting policy section of this note are satisfied. Contingent liabilities exist with respect to these matters where it is not possible to determine the extent of any obligation to remediate or the potential liability cannot be reliably estimated.

There are also a number of ongoing matters where regulators are investigating whether CBA or a Group entity has breached laws or regulatory obligations. Where a breach has occurred, regulators are likely to impose, or apply to a Court for, fines and/or other sanctions. These matters include investigations of issues which were considered by the Financial Services Royal Commission, as well as a number of other matters notified to, or identified by, regulators.

In addition to possible regulatory actions and reviews, there may also be financial exposure to claims by customers, third parties and shareholders and this could include further class actions, customer remediation or claims for compensation. The outcomes and total costs associated with such regulatory actions and reviews, and possible claims remain uncertain.

Fair Work Ombudsman (FWO) investigation

The FWO is investigating the Group's employee entitlement review and potential breaches by CBA and its related entities, including CommSec, of the Group's current and previous enterprise agreements and of the *Fair Work Act 2009* (Cth). CBA self-disclosed these matters to the FWO and CBA continues to engage with FWO and respond to notices and requests for information.

It is currently not possible to determine the ultimate impact of this investigation on the Group.

CBA is continuing with its broad review of employee entitlements and is remediating impacted current and former employees as the review progresses. We continue to update both the FWO and the Finance Sector Union. The Group holds a provision for remediation and program costs related to this matter.

Notes to the financial statements
For the year ended 30 June 2021

7.1 Provisions (continued)

Other regulatory matters

The following matters were significant regulatory investigations and reviews, which have been completed, but have resulted in ongoing action required by the Group.

Enforceable undertaking to ASIC (foreign exchange)

In December 2016, CBA provided an enforceable undertaking (EU) to ASIC arising from an investigation into wholesale spot foreign exchange (FX) trading between 2008 and 2013. ASIC accepted a variation to the EU on 16 October 2020. The EU included the engagement of an independent expert, to review and assess the changes we have made to our trading operating model in recent years, including in training, procedures and oversight.

The EU also included a voluntary contribution of $2.5 million to support the further development of financial literacy education relating to changes to delivery of care in the aged care sector. CBA continues to implement the terms of the varied EU.

Prudential inquiry into CBA and enforceable undertaking to APRA

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the Inquiry) into the Group focusing on the governance, culture and accountability frameworks and practices within the Group. The final report of the Inquiry was released on 1 May 2018 (the Final Report). The Final Report made a number of findings regarding the complex interplay of organisational and cultural factors within the Group and the need for enhanced management of non-financial risks. In response to the Final Report, the Group acknowledged that it would implement all of the recommendations and agreed to adjust its minimum operational risk capital requirements by an additional $1 billion (an impact to risk weighted assets of $12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction.

CBA has entered into an EU under which CBA's remedial action (Remedial Action Plan) in response to the Final Report would be agreed and monitored regularly by APRA. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan also provides a comprehensive assurance framework, with Promontory Australasia (Sydney) Pty Ltd (Promontory) having been appointed as the independent reviewer, and which is required to report to APRA on the Group's progress against committed milestones every 3 months.

Promontory is continuing to provide APRA with quarterly progress reports, and CBA is committed to report publicly on its progress against the Remedial Action Plan twice a year. Twelve Promontory reports have been released. Promontory has noted that the Remedial Action Plan program of work remains on track and all 35 recommendations have now been delivered to Promontory as the independent reviewer by the scheduled due date.

In November 2020, APRA completed a validation review of the Group's progress and found that it had made significant progress in implementing the Remedial Action Plan and reduced the minimum operational risk capital requirements from an additional $1 billion to an additional $500 million.

Financial crime compliance

As noted above, in 2018 the Group resolved the AUSTRAC proceedings relating to contraventions of anti-money laundering/counter-terrorism financing (AML/CTF) laws.

Recognising the crucial role that the Group plays in fighting financial crime, it continues to invest significantly in its financial crime capabilities, including in its AML/CTF Compliance team and through the Program of Action with coverage across all aspects of financial crime (including AML/CTF, sanctions and anti-bribery and corruption) and all business units.

The Group provides updates to AUSTRAC on the Program of Action implemented by the Group.

However, there is no assurance that AUSTRAC or the Group's other regulators will agree that the Group's Program of Action will be adequate or that the Program of Action will effectively enhance the Group's financial crime compliance programs across its business units and the jurisdictions in which it operates. Although the Group is not currently aware of any other enforcement action by other domestic or foreign regulators in respect of its financial crime compliance, the Group regularly engages with such regulators (including in respect of compliance matters) and there can be no assurance that the Group will not be subject to such enforcement actions in the future.

Enforceable undertaking to ASIC (BBSW)

On 21 June 2018, the Federal Court approved an agreement between CBA and ASIC to resolve proceedings concerning alleged market manipulation and unconscionable conduct in respect of the bank bill market. CBA paid a civil penalty of $5 million and a community benefit payment of $15 million to Financial Literacy Australia. It also agreed to pay ASIC's costs of the investigation and legal costs. The Group provided for these costs in an earlier period.

As part of the settlement CBA also entered into an EU with ASIC under which CBA undertook to engage an independent expert to assess changes it has made (and will make) to its policies, procedures, controls systems, training, guidance and framework for the monitoring and supervision of employees and trading in Prime Bank Bills and CBA's BBSW-referenced product businesses. On 5 October 2018, CBA appointed EY as the independent expert.

CBA has developed an enhanced control framework as part of the Final BBSW program. CBA is implementing the program in accordance with the terms of the enforceable undertaking.

Notes to the financial statements

For the year ended 30 June 2021

7.1 Provisions (continued)

Enforceable undertaking to the Office of Australian Information Commissioner (OAIC)

In June 2019, the Australian Information and Privacy Commissioner (Commissioner) accepted an EU offered by CBA, which requires further enhancements to the management and retention of customer personal information within CBA and certain subsidiaries.

The EU follows CBA's work to address two incidents: one relating to the disposal by a third party of magnetic data tapes containing historical customer statements and the other relating to potential unauthorised internal user access to certain systems and applications containing customer personal information. CBA reported the incidents to the Commissioner in 2016 and 2018 respectively and has since addressed these incidents. CBA found no evidence that as a result of these incidents, its customers' personal information was compromised or that there have been any instances of unauthorised access by CBA employees or third parties.

The Group has provided for certain costs associated with implementation and compliance with the EU provided to the Commissioner.

Other matters

Exposures to divested businesses

The Group has potential exposures to divested businesses, including through the provision of services, warranties and indemnities. These exposures may have an adverse impact on the Group's financial performance and position. The Group has recognised provisions where payments in relation to the exposures are probable and reliably measurable.

7.2 Bills payable and other liabilities

	Group		Bank	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 21 $M	30 Jun 20 $M
Bills payable	**699**	657	**629**	582
Accrued interest payable	**1,134**	1,693	**1,062**	1,366
Accrued fees, employee incentives and other items payable [1]	**2,029**	1,738	**1,749**	1,434
Securities purchased not delivered	**3,257**	3,850	**2,719**	3,061
Unearned income [2]	**1,439**	1,415	**919**	888
Lease liabilities	**3,173**	3,112	**2,922**	2,861
Other	**486**	723	**1,655**	1,674
Total bills payable and other liabilities	**12,217**	13,188	**11,655**	11,866

1 Accrued fees payable as at 30 June 2021 include trail commissions payable of $55 million for the Group (30 June 2020: $200 million).

2 Unearned income includes annual facility fees, commitment fees and upfront fees that are deferred and recognised over the service periods. Of the unearned income recognised at the beginning of the period, the Group and the Bank has recognised $569 million and $535 million, respectively, as income for the period ended 30 June 2021 (30 June 2020: $616 million for the Group and $592 million for the Bank).

ACCOUNTING POLICIES

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

Where the Group is a lessee, all leases are recognised on the Balance Sheet as a lease liability and right-of-use asset, unless the underlying asset is of low value or the lease has a term of 12 months or less. Rentals of leases with low value underlying assets or where the lease term is 12 months or less are recognised over the lease term as Operating expenses in the Income Statement. Lease liabilities are initially measured at the net present value of fixed and variable contractual lease payments as well as expected payments associated with residual value guarantees/purchase option or early lease termination.

Lease liabilities are remeasured when there is a change in future lease payments. When lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in the Income Statement if the carrying amount of the right-of-use asset has been fully written down. Lease liabilities are measured at amortised cost using the effective interest method.

Notes to the financial statements
For the year ended 30 June 2021

8. Our capital, equity and reserves

OVERVIEW

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

This section provides analysis of the Group's shareholders' equity including changes during the period.

8.1 Capital adequacy

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

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

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

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

- the insurance and funds management operating subsidiaries; and
- certain entities through which securitisation of Group assets are conducted where such entities meet APRA's capital relief requirements.

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

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

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

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

The Group's capital position is monitored on a continuous basis and reported monthly to the Executive Leadership Team, Asset and Liability Committee and at regular intervals throughout the year to the Board.

The Group's capital ratios throughout the 2019, 2020 and 2021 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board approved minimums. The Group is required to inform APRA immediately of any breach or potential breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken.

8.2 Loan capital

		Currency amount (M)	Endnotes	Group 30 Jun 21 $M	Group 30 Jun 20 $M	Bank 30 Jun 21 $M	Bank 30 Jun 20 $M
Tier 1 loan capital							
Undated	FRN	USD 100	1	**133**	146	**133**	146
Undated	PERLS VII	AUD 3,000	2	**2,994**	2,991	**2,994**	2,991
Undated	PERLS VIII	AUD 1,450	2	**1,449**	1,446	**1,449**	1,446
Undated	PERLS IX	AUD 1,640	2	**1,637**	1,633	**1,637**	1,633
Undated	PERLS X	AUD 1,365	2	**1,359**	1,358	**1,356**	1,354
Undated	PERLS XI	AUD 1,590	2	**1,583**	1,581	**1,581**	1,578
Undated	PERLS XII	AUD 1,650	2	**1,638**	1,636	**1,636**	1,634
Undated	PERLS XIII	AUD 1,180	2	**1,171**	–	**1,170**	–
Total Tier 1 loan capital				**11,964**	10,791	**11,956**	10,782
Tier 2 loan capital							
AUD denominated			3	**2,690**	1,364	**2,690**	1,364
USD denominated			4	**10,400**	8,362	**10,400**	8,362
JPY denominated			5	**882**	993	**882**	993
NZD denominated			6	**372**	372	**–**	–
EUR denominated			7	**2,514**	3,674	**2,514**	3,674
Other currencies denominated			8	**104**	114	**104**	114
Total Tier 2 loan capital				**16,962**	14,879	**16,590**	14,507
Fair value hedge adjustments				**434**	1,687	**430**	1,675
Total loan capital [1]				**29,360**	27,357	**28,976**	26,964

1 Loan capital include unrealised movements of $1,902 million predominantly due to foreign exchange gains and fair value hedge adjustments (30 June 2020: unrealised movements of $1,350 million due to foreign exchange losses and fair value hedge adjustments).

As at 30 June 2021 and 2020, there were no securities issued by the Group and the Bank that were contractually due for redemption in the next 12 months. The Group has the right to call some securities before the contractual maturity.

1. USD100 million floating rate notes

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

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

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

2. PERLS VII, PERLS VIII, PERLS IX, PERLS X, PERLS XI, PERLS XII, PERLS XIII

On 1 October 2014, the Bank issued $3,000 million of CommBank PERLS VII Capital Notes (PERLS VII). On 30 March 2016, the Bank issued $1,450 million of CommBank PERLS VIII Capital Notes (PERLS VIII). On 31 March 2017, the Bank issued $1,640 million of CommBank PERLS IX Capital Notes (PERLS IX). On 6 April 2018, the Bank issued $1,365 million of CommBank PERLS X Capital Notes (PERLS X). On 17 December 2018, the Bank issued $1,590 million of CommBank PERLS XI Capital Notes (PERLS XI). On 14 November 2019, the Bank issued $1,650 million of CommBank PERLS XII Capital Notes (PERLS XII). On 1 April 2021, the Bank issued $1,180 million of CommBank PERLS XIII Capital Notes (PERLS XIII). PERLS VII, PERLS VIII, PERLS IX, PERLS X, PERLS XI, PERLS XII and PERLS XIII are subordinated, unsecured notes.

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

3. AUD denominated Tier 2 loan capital issuances

- $25 million subordinated floating rate notes, issued April 1999, due April 2029;
- $1,400 million subordinated notes issued September 2020, due September 2030;
- $750 million subordinated notes issued June 2016, and redeemed in June 2021;
- $100 million subordinated Euro Medium Term Notes (EMTN) issued September 2019, due September 2034;
- $280 million subordinated EMTN issued March 2020, due March 2035;
- $210 million subordinated EMTN issued May 2020, due May 2035;

Notes to the financial statements
For the year ended 30 June 2021

8.2 Loan Capital (continued)

- $205 million subordinated EMTN issued August 2020, due August 2040;
- $200 million subordinated EMTN issued August 2020, due August 2050; and
- $270 million subordinated EMTN issued December 2020, due December 2040.

4. USD denominated Tier 2 loan capital issuances

- USD1,250 million subordinated notes issued December 2015 (USD597 million outstanding following the buy-back in March 2021), due December 2025;
- USD750 million subordinated EMTN issued October 2016, due October 2026;
- USD1,250 million subordinated notes issued January 2018, due in January 2048;
- USD1,250 million subordinated Medium Term Notes (MTN) issued September 2019, due September 2034;
- USD1,250 million subordinated MTN issued September 2019, due in September 2039;
- USD1,500 million subordinated MTN issued March 2021, due March 2031; and
- USD1,250 million subordinated MTN issued March 2021, due in March 2041.

5. JPY denominated Tier 2 loan capital issuances

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

6. NZD denominated Tier 2 loan capital issuances

- NZD400 million subordinated, unsecured notes, issued November 2016, due December 2026:

  On 30 November 2016, ASB Bank Limited issued NZD400 million subordinated, unsecured notes (ASB Notes 2) with a face value of NZD1 each. ASB Notes 2 are listed on the New Zealand Stock Exchange (NZX) debt market and are subject to New South Wales and New Zealand law. They qualify as Tier 2 Capital of the Bank and ASB under Basel III as implemented by APRA and the RBNZ.

7. EUR denominated Tier 2 loan capital issuances

- EUR1,250 million subordinated notes issued April 2015 (EUR590 million outstanding following the buy-back in March 2021) due April 2027; and
- EUR1,000 million subordinated EMTN, issued October 2017, due October 2029.

8. Other foreign currency denominated Tier 2 loan capital issuances

- HKD608 million subordinated EMTN issued March 2017, due March 2027.

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

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

ACCOUNTING POLICIES

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

Notes to the financial statements
For the year ended 30 June 2021

8.3 Shareholders' equity

	Group		Bank	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 21 $M	30 Jun 20 $M
Ordinary share capital				
Shares on issue:				
Opening balance	**38,282**	38,283	**38,280**	38,281
Dividend reinvestment plan (net of issue costs) [1, 2]	**264**	(1)	**264**	(1)
	38,546	38,282	**38,544**	38,280
Less treasury shares:				
Opening balance	**(151)**	(263)	**(100)**	(69)
Purchase of treasury shares [3, 4]	**(59)**	(65)	**(59)**	(65)
Sale and vesting of treasury shares [3, 4]	**84**	98	**45**	34
Decrease in treasury shares on deconsolidation of CommInsure Life	**–**	79	**–**	–
	(126)	(151)	**(114)**	(100)
Closing balance	**38,420**	38,131	**38,430**	38,180

	Group		Bank	
Number of shares on issue	30 Jun 21 Shares	30 Jun 20 Shares	30 Jun 21 Shares	30 Jun 20 Shares
Opening balance (excluding treasury shares deduction)	**1,770,239,507**	1,770,239,507	**1,770,239,507**	1,770,239,507
Dividend reinvestment plan issues:				
2018/2019 Final dividend fully paid ordinary shares $78.61 [1]	**–**	–	**–**	–
2019/2020 Interim dividend fully paid ordinary shares $73.37 [1]	**–**	–	**–**	–
2019/2020 Final dividend fully paid ordinary shares $68.53 [2]	**3,856,903**	–	**3,856,903**	–
2020/2021 Interim dividend fully paid ordinary shares $85.25 [1]	**–**	–	**–**	–
Closing balance (excluding treasury shares deduction)	**1,774,096,410**	1,770,239,507	**1,774,096,410**	1,770,239,507
Less: treasury shares [5]	**(1,665,028)**	(2,095,440)	**(1,489,718)**	(1,365,183)
Closing balance	**1,772,431,382**	1,768,144,067	**1,772,606,692**	1,768,874,324

1 The DRP in respect of the interim 2020/2021, interim 2019/2020 and final 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 4,869,634 shares at $85.25, 7,080,363 shares at $73.37 and 7,810,285 shares at $78.61 respectively, to participating shareholders.

2 The DRP in respect of the final 2019/2020 dividend was satisfied by the issue of 3,856,903 shares at $68.53. The total value of shares issued net of issue costs was $264 million.

3 Relates to the movements in treasury shares held within the employee share plans and treasury shares held within life insurance statutory funds (prior to deconsolidation of CommInsure Life on 1 November 2019).

4 Movement in treasury shares includes 742,179 shares acquired at an average price of $80.07 for satisfying the Company's obligations under various equity settled share plans (30 June 2020: 649,480 shares acquired at an average price of $79.62). Other than shares purchased as part of the Non-Executive Director fee sacrifice arrangements disclosed in Note 10.3, shares purchased were not on behalf of or initially allocated to a director.

5 Relates to treasury shares held within the employee share plans.

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

Ordinary shares entitle holders to receive dividends payable to ordinary shareholders and to participate in the proceeds available to ordinary shareholders on winding up of the Company in proportion to the number of fully paid ordinary shares held. On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll one vote for each share held.

Notes to the financial statements
For the year ended 30 June 2021

8.3 Shareholders' equity (continued)

	Group [1]		Bank [1]	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
Retained profits	**$M**	**$M**	**$M**	**$M**
Opening balance	**31,136**	28,482	**27,384**	23,099
Prior period restatement	**–**	(33)	**–**	(33)
Changes on adoption of AASB 16	**–**	(146)	**–**	(146)
Restated opening balance	**31,136**	28,303	**27,384**	22,920
Actuarial gains/(losses) from defined benefit superannuation plans	**(95)**	116	**(95)**	115
Realised gains and dividend income on treasury shares	**–**	13	**–**	–
Net profit attributable to equity holders of the Bank	**10,181**	9,592	**7,909**	10,134
Total available for appropriation	**41,222**	38,024	**35,198**	33,169
Transfers from general reserve [2]	**–**	733	**–**	586
Transfer from capital reserve [3]	**–**	–	**–**	1,254
Transfer from foreign currency revaluation reserve [4]	**207**	–	**–**	–
Transfers from asset revaluation reserve	**11**	8	**10**	4
Interim dividend – cash component	**(2,243)**	(3,021)	**(2,243)**	(3,021)
Interim dividend – dividend reinvestment plan [5]	**(418)**	(519)	**(418)**	(519)
Final dividend – cash component	**(1,471)**	(3,474)	**(1,471)**	(3,474)
Final dividend – dividend reinvestment plan [5, 6]	**(264)**	(615)	**(264)**	(615)
Closing balance	**37,044**	31,136	**30,812**	27,384

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

2 Following deconsolidation of CommInsure Life on 1 November 2019, the Group is no longer required to quarantine undistributable profits in general reserve. As a result, general reserve was reclassified to Retained profits.

3 The capital reserve previously held by the Bank was related to historic internal restructuring of the Group's life insurance and funds management businesses. The reserve was eliminated on consolidation. The reserve was reclassified to the Bank's retained earnings following deconsolidation of CFSGAM and CommInsure Life during the year ended 30 June 2020.

4 Relates to a historical Group restructure where the Group no longer holds exposure to foreign exchange risk.

5 The DRP in respect of the interim 2020/2021, interim 2019/2020 and final 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 4,869,634 shares at $85.25, 7,080,363 shares at $73.37 and 7,810,285 shares at $78.61 respectively, to participating shareholders.

6 The DRP in respect of the final 2019/2020 dividend was satisfied by the issue of 3,856,903 shares at $68.53.The total value of shares issued net of issue costs was $264 million.

Notes to the financial statements
For the year ended 30 June 2021

8.3 Shareholders' equity (continued)

	Group		Bank	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
Reserves	$M	$M	$M	$M
General reserve				
Opening balance	**–**	733	**–**	586
Transfer to retained profits [1]	**–**	(733)	**–**	(586)
Closing balance	**–**	–	**–**	–
Capital reserve				
Opening balance	**–**	–	**–**	1,254
Transfer to retained profits [2]	**–**	–	**–**	(1,254)
Closing balance	**–**	–	**–**	–
Asset revaluation reserve				
Opening balance	**257**	246	**227**	216
Revaluation of properties	**21**	24	**23**	20
Transfer to retained profits	**(11)**	(8)	**(10)**	(4)
Income tax effect	**(3)**	(5)	**(4)**	(5)
Closing balance	**264**	257	**236**	227
Foreign currency translation reserve				
Opening balance	**678**	912	**251**	302
Transfer to retained profits [3]	**(207)**	–	**–**	–
Currency translation adjustments of foreign operations	**(225)**	(237)	**(185)**	(46)
Currency translation on net investment hedge	**8**	(5)	**8**	(5)
Income tax effect	**3**	8	**–**	–
Closing balance	**257**	678	**74**	251
Cash flow hedge reserve				
Opening balance	**1,513**	787	**1,767**	1,073
Gains/(losses) on cash flow hedging instruments:				
Recognised in Other Comprehensive Income	**(734)**	1,243	**(218)**	1,505
Transferred to Income Statement:				
Interest income	**(2,294)**	(2,008)	**(2,229)**	(1,979)
Interest expense	**1,865**	1,854	**1,427**	1,487
Other banking income	**(363)**	(44)	**(498)**	(11)
Income tax effect	**480**	(319)	**463**	(308)
Closing balance	**467**	1,513	**712**	1,767
Employee compensation reserve				
Opening balance	**138**	161	**138**	161
Current period movement	**(35)**	(23)	**(35)**	(23)
Closing balance	**103**	138	**103**	138

1 Following deconsolidation of CommInsure Life on 1 November 2019, the Group is no longer required to quarantine undistributable profits in general reserve. As a result, general reserve was reclassified to Retained profits.

2 The capital reserve previously held by the Bank was related to historic internal restructuring of the Group's life insurance and funds management businesses. The reserve was eliminated on consolidation. The reserve was reclassified to the Bank's retained earnings following deconsolidation of CFSGAM and CommInsure Life during the year ended 30 June 2020.

3 The amount relates to a historical Group restructure where the Group no longer holds exposure to foreign exchange risk.

Notes to the financial statements
For the year ended 30 June 2021

8.3 Shareholders' equity (continued)

	Group [1]		Bank [1]	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 21 $M	30 Jun 20 $M
Investment securities revaluation reserve				
Opening balance	**80**	253	**61**	221
Net gains/(losses) on revaluation of investment securities	**2,998**	(200)	**2,910**	(184)
Net losses on investment securities transferred to Income Statement on disposal	**(25)**	(49)	**(25)**	(49)
Income tax effect	**(895)**	76	**(870)**	73
Closing balance	**2,158**	80	**2,076**	61
Total reserves	**3,249**	2,666	**3,201**	2,444
Shareholders' Equity attributable to equity holders of the Bank	**78,713**	71,933	**72,443**	68,008
Shareholders' Equity attributable to non-controlling interests	**5**	5	**–**	–
Total Shareholders' Equity	**78,718**	71,938	**72,443**	68,008

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

ACCOUNTING POLICIES

Shareholders' equity includes Ordinary share capital, Retained profits and Reserves. Policies for each component are set out below:

Ordinary share capital

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

Retained profits

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

Reserves

General reserve

In prior periods, the General reserve was derived from profits and was available for dividend payments except for undistributable profits in respect of the Group's life insurance business. Following deconsolidation of CommInsure Life on 1 November 2019, the Group is no longer required to quarantine undistributable profits in the General reserve. As a result the General reserve was reclassified to Retained profits.

Capital reserve

The Capital reserve previously held by the Bank was related to historic internal restructuring of the Group's life insurance and funds management businesses. The reserve was eliminated on consolidation. The reserve was reclassified to the Bank's retained earnings following deconsolidation of CFSGAM and CommInsure Life during the year ended 30 June 2020.

Asset revaluation reserve

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

Foreign currency translation reserve

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

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

Cash flow hedge reserve

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

Employee compensation reserve

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

Investment securities revaluation reserve

The Investment securities revaluation reserve includes changes in the fair value of Investment securities measured at fair value through other comprehensive income. For debt securities, these changes are reclassified to the Income Statement when the asset is derecognised. For equity securities, these changes are not reclassified to the Income Statement when derecognised.

8.4 Dividends

		Group			Bank	
		30 Jun 21	30 Jun 20	30 Jun 19	30 Jun 21	30 Jun 20
	Note	$M	$M	$M	$M	$M
Ordinary shares						
Interim ordinary dividend (fully franked) (2021: 150 cents; 2020: 200 cents; 2019: 200 cents)						
Interim ordinary dividend paid – cash component only		**2,243**	3,021	2,949	**2,243**	3,021
Interim ordinary dividend paid – Dividend Reinvestment Plan [1]		**418**	519	592	**418**	519
Total dividend paid		**2,661**	3,540	3,541	**2,661**	3,540
Other provision carried		**114**	121	119	**114**	121
Dividend proposed and not recognised as a liability (fully franked) (2021: 200 cents; 2020: 98 cents; 2019: 231 cents) [2]		**3,548**	1,735	4,089	**3,548**	1,735
Provision for dividends						
Opening balance		**121**	119	113	**121**	119
Provision made during the year		**4,396**	7,630	7,606	**4,396**	7,630
Provision used during the year		**(4,403)**	(7,628)	(7,600)	**(4,403)**	(7,628)
Closing balance	7.1	**114**	121	119	**114**	121

1 The DRP in respect of the interim 2020/2021, interim 2019/2020 and interim 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 4,869,634 shares at $85.25, 7,080,363 at $73.37 and 8,080,558 shares at $73.21, respectively, to participating shareholders.

2 The final 2020/2021 dividend will be satisfied by cash disbursements with the DRP anticipated to be satisfied by the on-market purchase of shares. The final 2019/2020 dividend was satisfied by cash disbursements and $264 million being reinvested by the participants through the DRP. The final 2018/2019 dividend was satisfied by cash disbursement with the DRP satisfied in full through the on-market purchase and transfer of 7,810,285 shares at $78.61.

Final dividend

The Directors have determined a fully franked (30%) final dividend of 200 cents per share amounting to $3,548 million. The dividend will be payable on 29 September 2021 to shareholders on the register at 5pm AEST on 18 August 2021. The ex-dividend date is 17 August 2021.

Dividend policy

In determining the dividend, the Board considers a range of factors in accordance with Bank's dividend policy including:

- paying cash dividends at strong and sustainable levels;
- targeting a full-year payout ratio of 70-80%; and
- maximising returns to shareholders by paying fully franked dividends.

In December 2020, APRA announced that its guidance issued in July 2020 requiring banks to preserve capital through retaining at least half of their earnings during the period of disruption caused by COVID-19, will no longer apply from calendar year 2021. Nevertheless, in determining the appropriate level of dividends, APRA expects banks to moderate dividend payout ratios to ensure they are sustainable, taking into account the outlook for profitability, capital and the broader environment.

Australian franking credits

The franking credits available to the Group as at 30 June 2021, after allowing for Australian tax payable in respect of the current and prior reporting period's profit, are estimated to be $3,709 million (2020: $2,751 million).

New Zealand imputation credits

The New Zealand imputation credits available to CBA as at 30 June 2021 are estimated to be NZ$874 million (2020: NZ$1,197 million). This is calculated on the same basis as the Australian franking credits but using the New Zealand current tax liability.

Notes to the financial statements

For the year ended 30 June 2021

8.4 Dividends (continued)

Dividend history

Half year ended	Cents per share	Payment date	Half year payout ratio [1, 2, 3] %	Full year payout ratio [1, 2] %	DRP price $	DRP participation rate [4] %
31 December 2018	200	28/03/2019	77. 03	–	73. 21	16. 7
30 June 2019	231	26/09/2019	103. 00	89. 07	78. 61	15. 0
31 December 2019	200	31/03/2020	57. 47	–	73. 37	14. 7
30 June 2020	98	30/09/2020	50. 56	55. 00	68. 53	15. 2
31 December 2020	150	30/03/2021	54. 65	–	85. 25	15. 7
30 June 2021	200	29/09/2021	66. 80	60. 99	–	–

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatement detailed in Note 1.1.
2 Dividend payout ratio: dividends divided by statutory earnings (earnings are net of dividends on other equity instruments).
3 The final 2019/2020 dividend payout ratio at the dividend payment date was 49.95%.
4 DRP participation rate: the percentage of total issued share capital participating in the DRP.

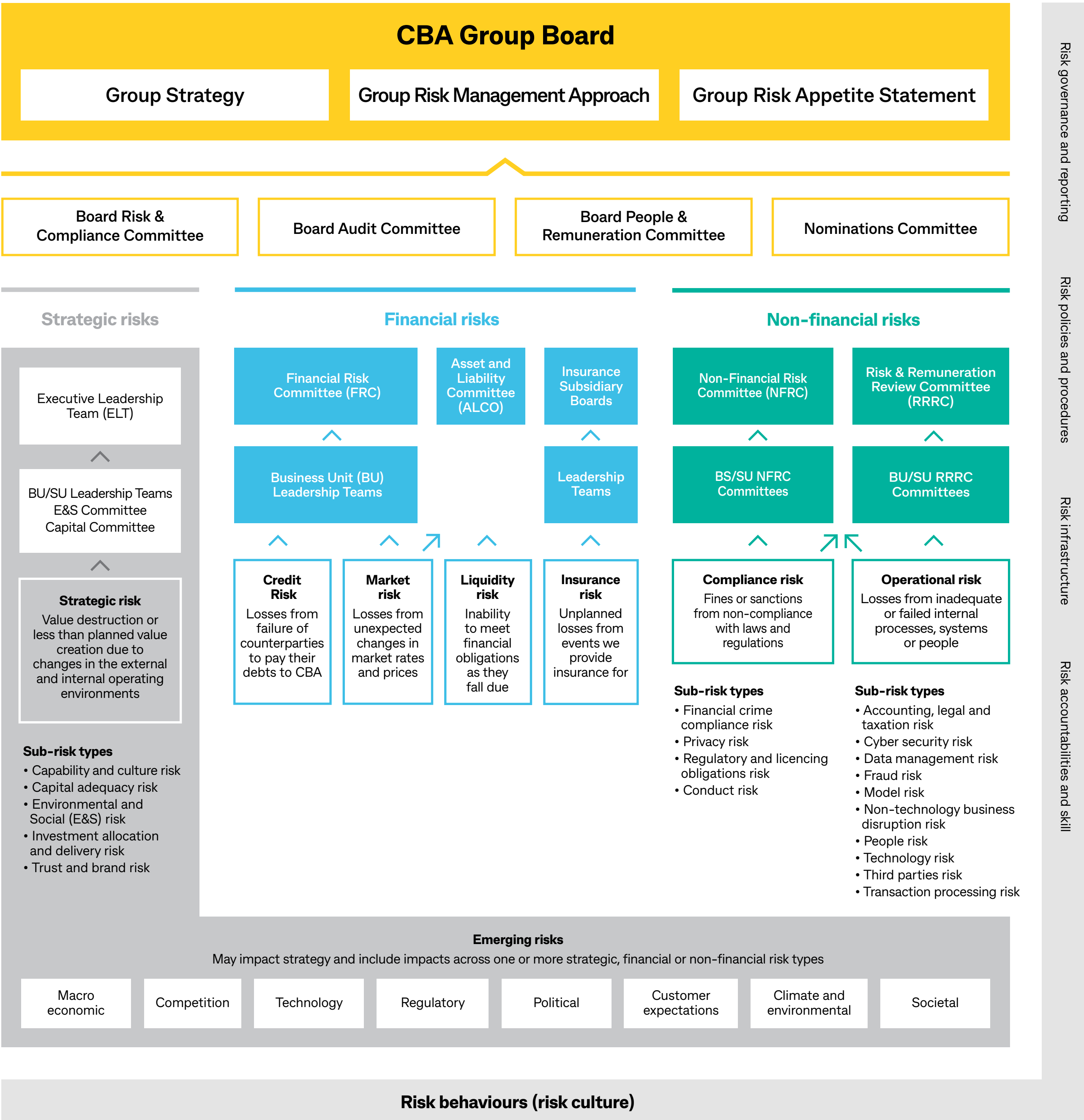
ACCOUNTING POLICIES

Dividends represent a distribution of profits that holders of ordinary shares receive from time to time. Dividends determined by the Board of the Bank are recognised with a corresponding reduction of retained earnings on the dividend payment date. The Board takes into consideration factors including the Group's relative capital strength and the Group's existing dividend payout ratio guidelines in determining the amount of dividends to be paid.

9. Risk management

OVERVIEW

The Group is exposed to financial risks, non-financial risks and strategic risks arising from its operations. The Group manages these risks through its Risk Management Framework (the Framework), which evolves to accommodate changes in the business operating environment, better practice approaches, and regulatory and community expectations. The components of the Framework are illustrated below, including the governance that enables executive and Board oversight of these risks.



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

Notes to the financial statements

For the year ended 30 June 2021

9.1 Risk management framework

The Framework enables the appropriate development and implementation of strategies, policies and procedures to manage risk. The Framework incorporates the requirements of APRA Prudential Standard CPS 220 *Risk Management* supported by the three key documentary components:

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

The Framework is underpinned by the following Risk Framework Enablers that allow the Group to effectively identify, record, manage and monitor risks:

Risk governance and reporting

The Group is committed to ensuring that its risk management practices reflect a high standard of governance. This enables management to undertake, in an effective manner, prudent risk-taking activities. The Board operates as the highest level of the Group's risk governance. The Board Risk and Compliance Committee is responsible for the oversight and governance of risks impacting the Group. It oversees the design, implementation and operation of the Framework and helps formulate the Group's risk appetite for consideration by the Board. In particular it:

- monitors the Group's risk profile (including identification of emerging risks); and
- reviews regular reports from management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal control systems.

At management level, risk governance is undertaken by a structured hierarchy of personal delegations and management committees and forums across the Group and within the Business Units (BUs) and Support Units (SUs).

Regular management information is produced that allows financial and non-financial risk positions to be monitored against approved risk appetite and policy limits. At Board level, the majority of risk reporting is provided to the Board Risk and Compliance Committee, although selected matters are reported directly to the Board as required. Controls reporting is provided to the Board Audit Committee.

The Group operates a Three Lines of Accountability model that places the accountability for risk ownership with the Line 1 BUs and SUs, while focusing the mandate of Line 2 Risk teams on risk appetite and the Framework, assurance, approval or acceptance of risk decisions of Line 1 and advice. Line 3 Internal Audit provides independent assurance to the Board, regulators and other stakeholders on the effectiveness of risk management, internal controls and governance.

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; and
- quantifying the operating tolerances for material risks.

Risk management infrastructure

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

- **Risk processes** to identify, assess, escalate, monitor and manage risks and issues;
- **Management information systems** to measure and aggregate risks across the Group; and
- **Risk models and tools.**

Risk accountabilities and skills

The effective management of our material risks requires appropriate resourcing of skilled employees within each of the Group's Three Lines of Accountability. It is important for all Group employees to have an awareness of their risk accountabilities in relation to their role, the Framework, and the need to adopt the CBA Risk Behaviours to ensure a positive Group risk culture. This awareness is developed through:

- **Communication of the Group RAS and the Group RMA**: Following approval by the Board, the updated RAS and RMA are made available to all employees;
- **Performance and remuneration frameworks** are designed to drive accountability for managing risks and adopting risk behaviours that lead to appropriate outcomes for all stakeholders. Each year employees are assessed on how they have met the risk management expectations of their role as part of the annual performance review;
- **Group Mandatory Learning modules**;
- **The Operational Risk and Compliance Training program**;
- **Induction and ongoing learning**; and
- **Talent sourcing and acquisition**.

Notes to the financial statements
For the year ended 30 June 2021

9.1 Risk management framework (continued)

Risk culture and conduct risk

Risk culture is the beliefs, values and practices within the organisation that determine how risks are identified, measured, governed, and acted upon. A positive risk culture drives the right risk decisions and helps the Group make sound judgements in new and unfamiliar circumstances. The risk behaviours that demonstrate a positive risk culture and are expected of employees by the Board, senior management, customers, communities, shareholders and regulators are underpinned by our CBA values of Care, Courage and Commitment.

The Group's RAS in relation to conduct risk requires business practices that are fair to customers, protects the fair and efficient operation of the market and engenders confidence in our products and services. Annually, the Board forms a view regarding the effectiveness of the Group's risk culture in keeping risk-taking within appetite. Action plans are initiated and monitored to drive positive risk culture changes in areas of need.

Ongoing monitoring of COVID-19 risks

At times, changes in the Group's external and internal operating environments may have an impact on the nature of one or more risks, including strategic risk. An example is the COVID-19 pandemic.

The Board and Management continue to actively monitor the impacts of the pandemic on the Group and adapt the Group's response as required.

Notes to the financial statements
For the year ended 30 June 2021

9.1 Risk management framework (continued)

Material risk types

Description	Governing Policies and Key Management Committees	Key controls and risk mitigation strategies
Credit risk		
Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Group. The Group is primarily exposed to credit risk through: • Residential mortgage lending; • Unsecured retail lending; • Commercial lending; and • Large corporate (institutional) lending and markets exposures.	**Governing Policies:** • Group and BU Credit Risk Policies, Principles, Framework and Governance **Key Management Committee:** • Financial Risk Committee • BU/SU Financial Risk Committees	• Defined credit risk indicators set in the Group RAS; • Transacting with counterparties that demonstrate the ability and willingness to service their obligations through performance of due diligence and appropriate credit quality assessments; • Applications assessed by credit decisioning models, with more complex or higher risk applications referred to credit authority holders who exercise expert judgement; • Taking collateral where appropriate; • Pricing appropriately for the risks we are taking; • Credit concentration frameworks that set exposure limits to counterparties, groups of related counterparties, industry sectors and countries; • Regular monitoring of credit quality, concentrations, arrears, policy exceptions and policy breaches; • Working with impaired counterparties, or those in danger of becoming so, to help them rehabilitate their financial positions; and • Stress testing, both at a counterparty and portfolio level.
Market risk		
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. The Group is primarily exposed to market risk through: • Traded Market Risk; • Interest Rate Risk in the Banking Book (IRRBB); • Structural Foreign Exchange Risk; • Lease Residual Value Risk; and • Non-Traded Equity Risk.	**Governing Policies:** • Group Market Risk Policy **Key Management Committee:** • Financial Risk Committee (Oversight of traded market risk) • Asset and Liability Committee (ALCO) (Oversight of IRRBB)	• Defined market risk indicators set in the Group RAS; • Minimal appetite for proprietary trading; • Conservative market risk limits with granular concentration limits at a position level including currency/index, tenor and product type; • Pricing appropriately for risk; • Back-testing of Value-at-Risk (VaR) models against hypothetical profit and loss; • Daily monitoring and attribution of traded market risk exposures including risk sensitivities, VaR and stress testing; • Weekly monitoring of VaR and stress test measures for derivative valuation adjustments (XVAs); • Monthly monitoring of residual value risk exposures versus limits; • Managing the Balance Sheet with a view to balancing net interest income profit volatility and market value; • Daily monitoring of IRRBB market risk exposures including risk sensitivities, credit spread risk, VaR and stress testing; • Monthly monitoring of net interest earnings at Risk versus limits; and • Transfer pricing for risk.

OVERVIEW
HOW WE CREATE VALUE
DIRECTORS' REPORT
FINANCIAL REPORT
ADDITIONAL INFORMATION

9.1 Risk management framework (continued)

Description	Governing Policies and Key Management Committees	Key controls and risk mitigation strategies
Liquidity and funding risk		
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). The Group is exposed to liquidity risk primarily through: • The funding mismatch between the Group's loans, investments and sources of funding.	**Governing Policies:** • Group Liquidity Policy **Key Management Committee:** • ALCO	• Defined liquidity risk indicators in the Group RAS; • The Annual Funding Strategy (the Group's wholesale funding strategy based on a three year funding plan); • Maintaining a diverse, yet stable, pool of potential funding sources across different currencies, geographies, entities and products; • Maintaining sufficient liquidity buffers and short-term funding capacity to withstand periods of disruption in long-term wholesale funding markets and unanticipated changes in the Balance Sheet funding gap; • Limiting the portion of wholesale funding sourced from offshore; • Conservatively managing the mismatch between asset and liability maturities; • Maintaining a conservative mix of readily saleable or repo-eligible liquid assets; • Daily monitoring of liquidity risk exposures, including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR); • Market and idiosyncratic stress test scenarios; and • The Contingency Funding Plan provides strategies for addressing liquidity shortfalls in a crisis situation.
Operational risk		
Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. The Group is exposed to operational risk primarily through: • Accounting, Legal and Taxation risks; • Cyber security risks; • Data management risks; • Fraud risks (external and internal); • Model risks; • Non-technology business disruption risks; • People risks (employment practices and workplace safety); • Technology risks (disruptions from hardware or software failures); • Third party risks; and • Transaction processing risks.	**Governing Policies:** • Operational Risk Management Framework (ORMF) • Group Outsourcing Policy • Group Model Policy • Group Fraud Management Policy • Group Policy on Business Continuity Management • Group Whistleblower Policy • Group Protective Security Policy • Group Data Management Policy • Data Protection Policy **Key Management Committee:** • Non-Financial Risk Committee • BU/SU Non-Financial Risk Committees	• Defined operational risk indicators in the Group RAS; • Implementation of manual and automated controls to prevent, detect, and mitigate specific operational risks that the Group is exposed to; • Regular Risk and Control Self-Assessment (RCSA) to assess key risks and controls for each BU/SU; • Routine Controls Assurance Program tests to assess whether controls are designed and operating effectively to maintain risk exposures within acceptable levels; • Incident management processes to identify, assess, record, report and manage actual operational or compliance events that have occurred. This data is used to guide management to strengthen processes and controls; • Issue management processes to identify, assess, record, report and manage weaknesses or gaps in controls; • Risk in Change process to effectively understand and manage the risks from changes to the business through projects or initiatives; • Quantitative Risk Assessments are scenarios conducted to provide an understanding of potential unexpected losses; • Establishment of Key Risk Indicators to monitor movements in risk exposures over time; and • Assurance undertaken by Line 2 Risk teams to assess that operational risks are appropriately identified and managed across the Group.

Notes to the financial statements

For the year ended 30 June 2021

9.1 Risk management framework (continued)

Description	Governing Policies and Key Management Committees	Key controls and risk mitigation strategies
Compliance risk		
Compliance risk is the risk of sanctions and financial loss the Group may suffer as a result of the Group's failure to comply with laws, regulations, rules, statements of regulatory policy, and codes of conduct applicable to its business activities. The Group is exposed to compliance risk primarily through: • Laws, regulations, rules, licence conditions, and statements of regulatory policy; • Privacy laws and regulations regarding the collection, handling and protection of personal information of individuals; • Financial crime (regulation relating to Anti Money Laundering (AML), Counter Terrorism Financing (CTF), Anti-Bribery and Corruption, and Sanctions); and • Poor conduct (Product design and distribution, Market conduct and employee misconduct).	**Governing Policies:** • Group Compliance Management Framework (CMF) and Policies • Group and BU Compliance Policies and Standards • Group Privacy Policy • AML/CTF Group Program • Anti-Bribery & Corruption Policy • Group Economic Trade Sanctions Policy • Code of Conduct • Product Development and Distribution **Key Management Committee:** • Non-Financial Risk Committee • BU/SU Non-Financial Risk Committees	• Compliance and Privacy risk indicators included in the Group RAS; • Mandatory online Compliance and Privacy training for all employees; • Regulatory change management to establish compliant business practices; • Maintenance of obligation registers; • Compliance and Privacy risk profiling through the RCSA process; • Group-wide minimum standards in key compliance areas; • Co-operative and transparent relationships with regulators; • Board and management governance and reporting; • Pre-employment due diligence on the Group's employees and enhanced screening for high risk roles; • Training and awareness sessions to staff highlighting the community impact of financial crime and the Group's role to detect, deter and disrupt money laundering, terrorist financing and other serious crime; • Customer on-boarding processes to meet AML/CTF identification and screening requirements; • Ongoing customer due diligence to ensure information the Group maintains on customers is accurate; • Risk assessments of customers, products and channels to ensure the Group understands the money laundering and terrorist financing risks; • Enhanced customer due diligence on high risk segments; • Monitoring customer payments, trade and all transactions to manage the AML/CTF and sanctions risks identified; • Undertake statutory reporting requirements including International Funds Transfer Instructions, Threshold Transaction Reports and Suspicious Matter Reports; • Controls to prevent corruption of public officials by employees, representatives, suppliers or third party agents, including disclosure and approval of gifts and entertainment, charitable donations and sponsorships; and • Conduct Risk strategy and Code of Conduct, supported by mandatory training for all staff.

9.1 Risk management framework (continued)

Description	Governing Policies and Key Management Committees	Key controls and risk mitigation strategies
Insurance risk		
Insurance risk is the risk of loss due to the potential for events the Group has insured against occurring more frequently or with greater severity than anticipated. The Group is primarily exposed to insurance risk through home and motor events through a wholly-owned subsidiary in Australia.	**Governing Policies:** • Product Management Policy • Underwriting Policy • Claims Management Policy • Reinsurance Management Policy **Key Management Committee:** • Executive Committees of insurance writing business	• Defined insurance risk indicators set in the Group RAS; • 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; • Limits, standards and underwriting authorities to ensure acceptance of appropriate risks; • Regular monitoring of loss ratios, aggregations and concentrations; • Catastrophe modelling and stress testing; • Actuarial review of claims provisions; • Controls to ensure valid claims are paid without undue delay; and • Reinsurance to manage the volatility of insurance risk and limit exposure to significant, individual or aggregate risks or risk concentrations.

Notes to the financial statements

For the year ended 30 June 2021

9.1 Risk management framework (continued)

Description	Governing Policies and Key Management Committees	Key controls and risk mitigation strategies
Strategic risk		
Strategic risk is the risk of material stakeholder value destruction or less than planned value creation. The Strategic Risk type also includes the following sub-risk types that support or drive strategic decisions but are managed more routinely through their own dedicated governance, policies and procedures, infrastructure and teams: • **Capital Adequacy Risk**: Inability to capitalise on strategic opportunities or withstand extreme events due to insufficient or inefficient use of capital. • **Capability and Culture Risk**: Inability to execute effectively on strategy due to inadequate organisational skills and capabilities and a misaligned organisational culture. • **Environmental & Social Risk:** from the physical impacts of climate change or not understanding or meeting community or regulatory expectations in relation to environmental and social issues. • **Trust and Brand Risk**: Business practices that undermine the trust of stakeholders and erode the Group's brand. • **Investment Allocation and Delivery Risk**: Expected outcomes not achieved or missed strategic opportunities due to variations in the delivery (scope, timing and quality) of change initiatives.	**Governing Policies:** • Group Strategic Risk Management Policy • Stress Testing Policy • Risk Adjusted Performance Measurement Policy • Group Remuneration Policy • Group Environmental & Social Policy • Group Continuous Disclosure Policy • Group Public Disclosure of Prudential Information Policy • Group External Engagement and Communication Policy • Group Policy on Publicly Issued Documents and Marketing Materials • Group Delivery Framework and Policy **Key Management Committee:** • Executive Leadership Team (ELT) • ELT Environmental & Social Committee • Capital Committee • Asset and Liability Committee (ALCO) • Non-Financial Risk Committee • ELT Risk and Remuneration Review Committee (RRRC)	**Strategic Risk Management Framework** The Strategic Risk Management Framework considers the impact to the Group's strategy of dynamically evolving material current and emerging risks arising from changes in areas such as: the competitive landscape, emerging technologies, macroeconomic conditions, the regulatory and political environment, and changes in social expectations. The Group assesses, monitors and responds to Strategic Risk throughout its processes of: • Strategy development, approval and review; • Identifying and monitoring changes and potential changes to the operating environment; and • Monitoring execution progress of strategies. **Capital Adequacy Risk** • Capital advice for projects and funding deals; • Dividend decision and management processes; • Capital monitoring, reporting and forecasting; • Internal Capital Adequacy Assessment Process (ICAAP); • Group, portfolio and risk type stress testing; and • Ratings agency interactions. **Capability and Culture Risk** • Talent acquisition processes; • Leadership development initiatives; • Organisational culture development initiatives; • Performance and remuneration processes; • Capability development and training; and • Accountability frameworks. **Environmental and Social Risk** • Scenario analyses to understand the physical and transition risks of climate change; • Development of new pilot products and services that support reduced emissions; • Environmental, Social & Governance (ESG) lending tool applied to certain lending decisions; • Corporate Responsibility programs; and • Supplier Code of Conduct to ensure adherence to CBA's Environmental & Social (E&S) standards. **Trust and Brand Risk** • Media management, marketing and branding standards, processes and protocols; • Customer management processes (complaints handling, hardships and vulnerable customers); • Community investment initiatives; • Government and political affairs protocols; • Customer remediation programs; and • Strategic decisions to address actual or perceived material conduct risks. **Investment Allocation and Delivery Risk** • Group and BU Change Investment Process; • Group Delivery Framework development and maintenance; • Project / program reporting and governance.

9.2 Credit risk

Credit risk management principles and portfolio standards

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

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

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

The credit risk portfolio has two major segments:

(i) Retail managed segment

This segment has sub-segments covering housing loans, credit cards, personal loans, and personal overdrafts. It also covers most non-retail lending where the aggregated credit exposure to a group of related borrowers is less than $1 million.

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

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

After loan origination, these portfolios are managed using behavioural scoring systems and a delinquency band approach. This includes different actions taken when loan repayments are greater than 30 days past due compared to when they are greater than 60 day past due. Loans past due are reviewed by the relevant Arrears Management or Financial Assistance Team.

(ii) Risk-rated segment

This segment comprises non-retail exposures, including bank and sovereign exposures. Each exposure is assigned an internal Credit Risk-Rating (CRR) based on Probability of Default (PD) and Loss Given Default (LGD).

Either a PD Rating Tool or expert judgement is used to determine the PD for customers in this segment. Expert judgement is used where the complexity of the transaction and/or the borrower is such that it is inappropriate to rely completely on a statistical model. External ratings may be used for benchmarking in the expert judgement assessment.

The CRR is designed to:

- aid in assessing changes to borrower credit quality;
- influence decisions on approval, management and pricing of individual credit facilities; and
- provide the basis for reporting details of the Group's credit portfolio.

Credit risk-rated exposures are generally reviewed on an individual basis, at least annually, and fall within the following categories:

- "Pass" – these credit facilities qualify for approval of new or increased exposure on normal commercial terms; and
- "Troublesome or Impaired Assets (TIAs)" – these credit facilities are not eligible for new or increased exposure, unless it facilitates rehabilitation to "pass grade" or protects or improves the Group's position by maximising recovery prospects. Where a borrower is in default but no loss is expected based on an assessment of the security position and other factors, the facility may be classed as troublesome but not impaired. Where a loss is expected, a facility is classified as impaired. Restructured facilities, where the original contractual arrangements have been modified outside commercial terms to provide concessions for the customer's financial difficulties, are classified as impaired.

Default is to be recorded with one or more of the following:

- the customer is 90 days or more overdue on a scheduled credit repayment; or
- the customer is unlikely to repay their credit obligation to the Group in full without taking action, such as realising on available security.

Credit risk measurement

The measurement of credit risk uses analytical tools to calculate both: (i) Expected, and (ii) Unexpected Loss probabilities for the credit portfolio. The use of analytical tools is governed by the Model Risk Governance Committee.

(i) Expected loss

Expected loss (EL) is the product of:

- PD;
- Exposure at Default (EAD); and
- LGD.

The PD, expressed as a percentage, is the estimate of the probability that a client will default within the next 12 months.

Notes to the financial statements
For the year ended 30 June 2021

9.2 Credit risk (continued)

(i) Expected loss (continued)

EAD is the estimate of the amount of a facility that will be outstanding in the event of default. Estimates are based on a downturn in economic conditions. The estimate is based on the actual amount outstanding, plus the undrawn amount multiplied by a credit conversion factor (CCF). The CCF represents the potential rate of conversion from undrawn 12 months prior to default to drawn at default. For most committed facilities, the Group applies a CCF of 100% to the undrawn amount.

For uncommitted facilities, the EAD will generally be the drawn balance only. For defaulted facilities, it is the actual amount outstanding at default. For retail exposures, a modelling approach can be used based on factors including limit usage, arrears and loan type to segment accounts into homogeneous pools to calculate EAD.

LGD, expressed as a percentage, is the estimated proportion of a facility likely to be lost in the event of default. LGD is impacted by:

- type and level of any collateral held;
- liquidity and volatility of collateral;
- carrying costs (effectively the costs of providing a facility that is not generating an interest return); and
- realisation costs.

Various factors are considered when calculating PD, EAD and LGD. Considerations include the potential for default by a borrower due to economic, management, industry, other risks, and the mitigating benefits of any collateral held as security.

(ii) Unexpected loss

In addition to EL, a more stressed loss amount is calculated. This Unexpected Loss estimate directly affects the calculation of regulatory and internal economic capital requirements. Refer to Note 8.1 for information relating to regulatory capital.

Climate related risk

Climate risk is a risk for the Group. The impacts of climate change have the potential to affect our customers' ability to service and repay their loans, and the value of collateral the Group holds to secure loans. These impacts include long-term changes in climatic conditions, extreme weather events, and the action taken by governments, regulators or society more generally to transition to a low carbon economy.

The Group is a major provider of non-retail loans. A key step in credit risk due diligence for non-retail lending is the assessment of potential transactions for Environmental, Social and Governance (ESG) risks, including climate risk, through our ESG Risk Assessment Tool. All Institutional Bank loans, as well as large loans in other business units, are evaluated through the Group's ESG risk assessment process. The risk of climate change is assessed at origination and during the annual review process for Institutional Bank loans. Exposures with medium or high risk profile are subject to additional due diligence. During the year ended 30 June 2021, the Group established provisions for impairment of $50 million reflecting the impact of extreme weather events on the credit quality of the Group's loan portfolio (30 June 2020: $90 million). This was subsequently released following review of provision adequacy for impacted customers and limited observed losses.

Credit risk mitigation, collateral and other credit enhancements

The Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk. These include valuation parameters, review frequency and independence of valuation.

The general nature of collateral that may be taken, and the balances held, are summarised below by financial asset classes.

Cash and liquid assets

Collateral is not usually sought on the majority of Cash and liquid asset balances as these types of exposures are generally considered low risk. However, securities purchased under agreement to resell are collateralised by highly liquid debt securities. The collateral related to agreements to resell has been legally transferred to the Group subject to an agreement to return them for a fixed price.

The Group's Cash and liquid asset balance included $84,747 million (2020: $25,562 million) deposited with Central Banks and is considered to carry less credit risk.

Receivables from other financial institutions

Collateral is usually not sought on these balances as exposures are generally considered to be of low risk. The exposures are mainly short-term, to investment grade banks and include collateral posted by the Group.

Trading assets at fair value through Income Statement and investment securities at fair value through OCI

These assets are carried at fair value, which accounts for the credit risk. Investment securities at amortised cost are measured at amortised cost and presented net of provisions for impairment. Collateral is not generally sought from the issuer or borrower but collateral may be implicit in the terms of the instrument (such as an asset-backed security).

Other assets at fair value through Income Statement

These assets are carried at fair value, which accounts for the credit risk.

Notes to the financial statements
For the year ended 30 June 2021

9.2 Credit risk (continued)

Derivative assets

The Group's use of derivative contracts is outlined in Note 5.4. The Group is exposed to counterparty credit risk on derivative contracts. The counterparty credit risk is affected by the nature of the trades, the counterparty, netting, and collateral arrangements. Credit risk from derivatives is mitigated where possible (typically for financial institutions counterparties, but less frequently for corporate or government borrowers) through netting agreements, whereby derivative assets and liabilities with the same counterparty can be offset and cleared with Central Counterparties (CCPs). The International Swaps and Derivatives Association (ISDA) Master Agreement (or other derivative agreements) are used by the Group as an agreement for documenting Over-the-Counter (OTC) derivatives.

The fair value of collateral held and the potential effect of offset obtained by applying master netting agreements are disclosed in Note 9.7.

Due from controlled entities

Collateral is generally not taken on these intergroup balances.

Credit commitments and contingent liabilities

The Group applies fundamentally the same risk management policies for off Balance Sheet risks as it does for its on Balance Sheet risks. Collateral may be sought depending on the strength of the borrower and the nature of the transaction. Of the Group's off Balance Sheet exposures $121,587 million (2020: $103,325 million) are secured.

Loans, bills discounted and other receivables

The principal collateral types for loans and receivable balances are:

- mortgages over residential and commercial real estate; and
- charges over business assets such as cash, shares, inventory, fixed assets and accounts receivables.

Collateral security is generally taken except for government, bank and corporate borrowers that are often externally risk-rated and of strong financial standing. Longer term consumer finance, such as housing loans, are generally secured against real estate, while short-term revolving consumer credit is generally not secured by formal collateral.

The collateral mitigating credit risk of the key lending portfolios is addressed in the table 'Collateral held against Loans, bills discounted and other receivables' within this note.

Notes to the financial statements

For the year ended 30 June 2021

9.2 Credit risk (continued)

Maximum exposure to credit risk by industry/sector and asset class before collateral held or other credit enhancements

	Group 30 Jun 21							
	Sovereign $M	Agriculture $M	Bank and other financial $M	Construction $M	Consumer $M	Other comm and indust. $M	Other $M	Total $M
Australia								
Credit risk exposures relating to on Balance Sheet assets:								
Cash and liquid assets	66,416	–	10,845	–	–	–	–	77,261
Receivables from financial institutions	–	–	2,590	–	–	–	–	2,590
Assets at fair value through Income Statement:								
Trading	9,893	–	779	–	–	11,270	–	21,942
Other	106	21	229	–	–	10,128	30	10,514
Derivative assets	817	86	13,061	10	–	4,744	–	18,718
Investment securities:								
At amortised cost	–	–	4,278	–	–	–	–	4,278
At fair value through Other Comprehensive Income	53,079	–	11,595	–	–	2,790	–	67,464
Assets held for sale	–	–	–	–	–	–	1,200	1,200
Loans, bills discounted and other receivables [1]	17,620	12,136	13,886	5,002	532,157	124,794	–	705,595
Other assets	652	39	3,870	–	9	451	–	5,021
Total on Balance Sheet Australia	148,583	12,282	61,133	5,012	532,166	154,177	1,230	914,583
Credit risk exposures relating to off Balance Sheet assets:								
Guarantees	398	20	977	197	–	3,179	–	4,771
Loan commitments	778	2,328	6,008	2,553	104,045	41,073	–	156,785
Other commitments	64	13	1,165	1,602	–	3,647	–	6,491
Total Australia	149,823	14,643	69,283	9,364	636,211	202,076	1,230	1,082,630
Overseas								
Credit risk exposures relating to on Balance Sheet assets:								
Cash and liquid assets	16,000	–	6,780	–	–	–	–	22,780
Receivables from financial institutions	75	–	2,420	–	–	–	–	2,495
Assets at fair value through Income Statement:								
Trading	4,094	–	199	–	–	196	–	4,489
Other	–	–	–	–	–	25	–	25
Derivative assets	218	12	1,657	–	–	844	–	2,731
Investment securities:								
At amortised cost	–	–	–	–	–	–	–	–
At fair value through Other Comprehensive Income	17,079	–	2,016	–	–	1	–	19,096
Assets held for sale	–	–	–	–	–	–	1	1
Loans, bills discounted and other receivables [1]	138	9,775	6,792	683	66,055	29,228	–	112,671
Other assets	25	–	297	1	10	30	–	363
Total on Balance Sheet overseas	37,629	9,787	20,161	684	66,065	30,324	1	164,651
Credit risk exposures relating to off Balance Sheet assets:								
Guarantees	95	1	415	63	–	343	–	917
Loan commitments	459	901	8,938	231	10,737	9,521	–	30,787
Other commitments	1	–	52	1	–	716	–	770
Total overseas	38,184	10,689	29,566	979	76,802	40,904	1	197,125
Total gross credit risk	188,007	25,332	98,849	10,343	713,013	242,980	1,231	1,279,755
Other [2]	–	–	–	–	–	–	19,638	19,638
Total assets	188,007	25,332	98,849	10,343	713,013	242,980	20,869	1,299,393

1 Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income in line with Note 3.1.

2 For the purpose of reconciling to the Balance Sheet, "Other" predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in associates and joint ventures, Intangible assets, Deferred tax assets and Other assets.

Notes to the financial statements

For the year ended 30 June 2021

9.2 Credit risk (continued)

	Group [1] 30 Jun 20							
	Sovereign $M	Agricul-ture $M	Bank and other financial $M	Con-struction $M	Consumer $M	Other comm and indust. $M	Other $M	Total $M
Australia								
Credit risk exposures relating to on Balance Sheet assets:								
Cash and liquid assets	8,611	–	14,113	–	–	–	–	22,724
Receivables from financial institutions	–	–	2,127	–	–	–	–	2,127
Assets at fair value through Income Statement:								
Trading	28,071	–	842	–	–	5,759	–	34,672
Other	77	105	1,188	–	–	6,708	44	8,122
Derivative assets	1,268	76	22,649	26	–	4,801	–	28,820
Investment securities:								
At amortised cost	9	–	5,159	–	–	–	–	5,168
At fair value through Other Comprehensive Income	47,601	–	12,366	–	–	570	–	60,537
Assets held for sale	–	–	772	–	–	12	984	1,768
Loans, bills discounted and other receivables [2]	23,480	10,512	13,260	5,045	503,490	118,691	–	674,478
Other assets	637	1	5,844	1	23	189	–	6,695
Total on Balance Sheet Australia	109,754	10,694	78,320	5,072	503,513	136,730	1,028	845,111
Credit risk exposures relating to off Balance Sheet assets:								
Guarantees	493	20	1,466	259	–	3,065	–	5,303
Loan commitments	593	1,969	6,575	2,355	92,659	38,541	–	142,692
Other commitments	70	9	1,163	1,521	–	3,763	–	6,526
Total Australia	110,910	12,692	87,524	9,207	596,172	182,099	1,028	999,632
Overseas								
Credit risk exposures relating to on Balance Sheet assets:								
Cash and liquid assets	13,937	–	7,504	–	–	–	–	21,441
Receivables from financial institutions	61	–	6,359	–	–	–	–	6,420
Assets at fair value through Income Statement:								
Trading	3,184	–	274	–	–	293	–	3,751
Other	–	–	–	–	–	–	–	–
Derivative assets	128	22	939	–	–	376	–	1,465
Investment securities:								
At amortised cost	5	–	–	–	–	–	–	5
At fair value through Other Comprehensive Income	17,068	–	1,944	–	–	–	–	19,012
Assets held for sale	–	–	–	–	–	–	2	2
Loans, bills discounted and other receivables [2]	14	9,726	6,730	658	58,961	29,541	–	105,630
Other assets	24	–	19	1	9	351	–	404
Total on Balance Sheet overseas	34,421	9,748	23,769	659	58,970	30,561	2	158,130
Credit risk exposures relating to off Balance Sheet assets:								
Guarantees	–	2	754	52	–	337	–	1,145
Loan commitments	340	804	6,300	234	9,949	8,218	–	25,845
Other commitments	1	1	243	1	–	586	–	832
Total overseas	34,762	10,555	31,066	946	68,919	39,702	2	185,952
Total gross credit risk	145,672	23,247	118,590	10,153	665,091	221,801	1,030	1,185,584
Other [3]	–	–	–	–	–	–	19,358	19,358
Total assets	145,672	23,247	118,590	10,153	665,091	221,801	20,388	1,204,942

1 Comparative information has been restated to conform to presentation in the current year and to reflect the change in accounting policy and the prior period restatement detailed in Note 1.1.

2 Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income in line with Note 3.1.

3 For the purpose of reconciling to the Balance Sheet, “Other” predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in associates and joint ventures, Intangible assets, Deferred tax assets and Other assets.

Notes to the financial statements
For the year ended 30 June 2021

9.2 Credit risk (continued)

Large exposures

Concentrations of exposure to any borrower or borrower group are controlled by a large credit exposure policy, which defines a graduated limit framework that restricts credit limits based on the internally assessed CRR, the type of client, and facility tenor. All exposures outside the policy limits require approval by the Executive Credit Authority.

The following table shows the number of the Group's non-retail (excluding banks and sovereign) aggregated borrower exposures (including direct and contingent exposures), which individually were greater than 5% of the Group's capital resources (Tier 1 and Tier 2 capital):

	Group	
	30 Jun 21	**30 Jun 20**
	Number	**Number**
5% to less than 10% of the Group's capital resources	**–**	–
10% to less than 15% of the Group's capital resources	**–**	–

The Group has a high quality, well diversified credit portfolio, with 63% of the gross loans and other receivables in domestic mortgage loans and a further 8% in overseas mortgage loans, primarily in New Zealand. Overseas loans account for 14% of loans, bills discounted and other receivables.

Distribution of financial assets by credit classification

When doubt arises as to the collectability of a credit facility, the financial instrument is classified and reported as impaired. Provisions for impairment are raised where there is objective evidence of impairment and for an amount adequate to cover assessed credit related losses. The Group regularly reviews its financial assets and monitors adherence to contractual terms. Credit risk-rated exposures are assessed, at least at each Balance Sheet date, to determine whether the financial asset is impaired.

Distribution of financial instruments by credit quality

The tables on pages 218 to 225 provide information about the gross carrying amount of the Group's and the Bank's loans, bills discounted and other receivables by credit rating grade and ECL stage.

This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a borrower's internally assessed PD to S&P Global ratings, reflecting a borrower's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation.

Credit grade	S&P rating equivalent
Investment	AAA to BBB-
Pass	BB+ to B-
Weak	CCC and below, in default

Notes to the financial statements
For the year ended 30 June 2021

9.2 Credit risk (continued)

Distribution of financial instruments by credit quality

	Group 30 Jun 21				
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Loans, bills discounted and other receivables					
Credit grade					
Investment	418,125	18,771	–	–	**436,896**
Pass	273,680	86,623	–	–	**360,303**
Weak	3,236	9,508	5,628	1,885	**20,257**
Gross carrying amount	**695,041**	**114,902**	**5,628**	**1,885**	**817,456**
Undrawn credit commitments					
Credit grade					
Investment	97,622	7,647	–	–	**105,269**
Pass	43,571	10,696	–	–	**54,267**
Weak	237	339	89	41	**706**
Total undrawn credit commitments	**141,430**	**18,682**	**89**	**41**	**160,242**
Total credit exposures	**836,471**	**133,584**	**5,717**	**1,926**	**977,698**
Impairment provision	**(1,592)**	**(2,851)**	**(757)**	**(900)**	**(6,100)**
Provisions to credit exposure, %	**0. 2**	**2. 1**	**13. 2**	**46. 7**	**0. 6**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	9,002	1,348	–	–	**10,350**
Pass	3,843	4,452	–	–	**8,295**
Weak	51	340	25	45	**461**
Total financial guarantees and other off Balance Sheet instruments	**12,896**	**6,140**	**25**	**45**	**19,106**
Impairment provision	**(22)**	**(85)**	**(4)**	**–**	**(111)**
Provisions to credit exposure, %	**0. 2**	**1. 4**	**16. 0**	**–**	**0. 6**
Total credit exposures					
Credit grade					
Investment	524,749	27,766	–	–	**552,515**
Pass	321,094	101,771	–	–	**422,865**
Weak	3,524	10,187	5,742	1,971	**21,424**
Total credit exposures	**849,367**	**139,724**	**5,742**	**1,971**	**996,804**
Total impairment provision	**(1,614)**	**(2,936)**	**(761)**	**(900)**	**(6,211)**
Provisions to credit exposure, %	**0. 2**	**2. 1**	**13. 3**	**45. 7**	**0. 6**

1 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 62% of Stage 2 credit exposures for the Group as at 30 June 2021.

Notes to the financial statements
For the year ended 30 June 2021

9.2 Credit risk (continued)

	Group 30 Jun 21				
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Retail secured					
Credit grade					
Investment	393,239	5,718	–	–	**398,957**
Pass	234,468	21,050	–	–	**255,518**
Weak	2,113	4,929	4,351	672	**12,065**
Total retail secured	**629,820**	**31,697**	**4,351**	**672**	**666,540**
Impairment provision	**(726)**	**(577)**	**(435)**	**(189)**	**(1,927)**
Provisions to credit exposure, %	**0. 1**	**1. 8**	**10. 0**	**28. 1**	**0. 3**
Retail unsecured					
Credit grade					
Investment	14,283	1,061	–	–	**15,344**
Pass	11,035	1,721	–	–	**12,756**
Weak	767	709	158	2	**1,636**
Total retail unsecured	**26,085**	**3,491**	**158**	**2**	**29,736**
Impairment provision	**(500)**	**(644)**	**(147)**	**–**	**(1,291)**
Provisions to credit exposure, %	**1. 9**	**18. 4**	**93. 0**	**–**	**4. 3**
Non-retail					
Credit grade					
Investment	117,227	20,987	–	–	**138,214**
Pass	75,591	79,000	–	–	**154,591**
Weak	644	4,549	1,233	1,297	**7,723**
Total non-retail	**193,462**	**104,536**	**1,233**	**1,297**	**300,528**
Impairment provision	**(388)**	**(1,715)**	**(179)**	**(711)**	**(2,993)**
Provisions to credit exposure, %	**0. 2**	**1. 6**	**14. 5**	**54. 8**	**1. 0**
Total credit exposures					
Credit grade					
Investment	524,749	27,766	–	–	**552,515**
Pass	321,094	101,771	–	–	**422,865**
Weak	3,524	10,187	5,742	1,971	**21,424**
Total credit exposures	**849,367**	**139,724**	**5,742**	**1,971**	**996,804**
Total impairment provision	**(1,614)**	**(2,936)**	**(761)**	**(900)**	**(6,211)**
Provisions to credit exposure, %	**0. 2**	**2. 1**	**13. 3**	**45. 7**	**0. 6**

1 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 62% of Stage 2 credit exposures for the Group as at 30 June 2021.

Notes to the financial statements

For the year ended 30 June 2021

9.2 Credit risk (continued)

	Group [1] 30 Jun 20				
	Stage 1 collectively assessed $M	Stage 2 [2] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Loans, bills discounted and other receivables					
Credit grade					
Investment	388,263	39,731	–	–	**427,994**
Pass	220,089	111,478	–	–	**331,567**
Weak	2,569	10,421	4,500	2,173	**19,663**
Gross carrying amount	**610,921**	**161,630**	**4,500**	**2,173**	**779,224**
Undrawn credit commitments					
Credit grade					
Investment	78,651	16,443	–	–	**95,094**
Pass	32,916	14,293	–	–	**47,209**
Weak	255	497	81	86	**919**
Total undrawn credit commitments	**111,822**	**31,233**	**81**	**86**	**143,222**
Total credit exposures	**722,743**	**192,863**	**4,581**	**2,259**	**922,446**
Impairment provision	**(1,549)**	**(3,249)**	**(479)**	**(967)**	**(6,244)**
Provisions to credit exposure, %	**0. 2**	**1. 7**	**10. 5**	**42. 8**	**0. 7**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	9,877	1,380	–	–	**11,257**
Pass	3,300	4,734	–	–	**8,034**
Weak	27	314	27	83	**451**
Total financial guarantees and other off Balance Sheet instruments	**13,204**	**6,428**	**27**	**83**	**19,742**
Impairment provision	**(20)**	**(97)**	**(2)**	**–**	**(119)**
Provisions to credit exposure, %	**0. 2**	**1. 5**	**7. 4**	**–**	**0. 6**
Total credit exposures					
Credit grade					
Investment	476,791	57,554	–	–	**534,345**
Pass	256,305	130,505	–	–	**386,810**
Weak	2,851	11,232	4,608	2,342	**21,033**
Total credit exposures	**735,947**	**199,291**	**4,608**	**2,342**	**942,188**
Total impairment provision	**(1,569)**	**(3,346)**	**(481)**	**(967)**	**(6,363)**
Provisions to credit exposure, %	**0. 2**	**1. 7**	**10. 4**	**41. 3**	**0. 7**

1 Comparative information has been restated to conform to presentation in the current year and to reflect the prior period restatement detailed in Note 1.1.

2 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 credit exposures for the Group as at 30 June 2020.

Notes to the financial statements
For the year ended 30 June 2021

9.2 Credit risk (continued)

	Group [1] 30 Jun 20				
	Stage 1 collectively assessed $M	Stage 2 [2] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Retail secured					
Credit grade					
Investment	347,698	28,790	–	–	**376,488**
Pass	193,863	35,799	–	–	**229,662**
Weak	1,637	4,591	3,209	821	**10,258**
Total retail secured	**543,198**	**69,180**	**3,209**	**821**	**616,408**
Impairment provision	**(666)**	**(628)**	**(153)**	**(237)**	**(1,684)**
Provisions to credit exposure, %	**0. 1**	**0. 9**	**4. 8**	**28. 9**	**0. 3**
Retail unsecured					
Credit grade					
Investment	12,691	2,434	–	–	**15,125**
Pass	12,163	2,412	–	–	**14,575**
Weak	886	1,159	258	4	**2,307**
Total retail unsecured	**25,740**	**6,005**	**258**	**4**	**32,007**
Impairment provision	**(589)**	**(937)**	**(216)**	**(3)**	**(1,745)**
Provisions to credit exposure, %	**2. 3**	**15. 6**	**83. 7**	**75. 0**	**5. 5**
Non–retail					
Credit grade					
Investment	116,402	26,330	–	–	**142,732**
Pass	50,279	92,294	–	–	**142,573**
Weak	328	5,482	1,141	1,517	**8,468**
Total non-retail	**167,009**	**124,106**	**1,141**	**1,517**	**293,773**
Impairment provision	**(314)**	**(1,781)**	**(112)**	**(727)**	**(2,934)**
Provisions to credit exposure, %	**0. 2**	**1. 4**	**9. 8**	**47. 9**	**1. 0**
Total credit exposures					
Credit grade					
Investment	476,791	57,554	–	–	**534,345**
Pass	256,305	130,505	–	–	**386,810**
Weak	2,851	11,232	4,608	2,342	**21,033**
Total credit exposures	**735,947**	**199,291**	**4,608**	**2,342**	**942,188**
Total impairment provision	**(1,569)**	**(3,346)**	**(481)**	**(967)**	**(6,363)**
Provisions to credit exposure, %	**0. 2**	**1. 7**	**10. 4**	**41. 3**	**0. 7**

1 Comparative information has been restated to conform to presentation in the current year and to reflect the prior period restatement detailed in Note 1.1.

2 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 credit exposures for the Group as at 30 June 2020.

Notes to the financial statements

For the year ended 30 June 2021

9.2 Credit risk (continued)

	Bank 30 Jun 21				
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Loans, bills discounted and other receivables					
Credit grade					
Investment	386,621	14,669	–	–	**401,290**
Pass	223,832	71,823	–	–	**295,655**
Weak	2,726	8,066	4,772	1,511	**17,075**
Gross carrying amount	**613,179**	**94,558**	**4,772**	**1,511**	**714,020**
Undrawn credit commitments					
Credit grade					
Investment	93,875	7,328	–	–	**101,203**
Pass	37,123	9,415	–	–	**46,538**
Weak	211	301	67	20	**599**
Total undrawn credit commitments	**131,209**	**17,044**	**67**	**20**	**148,340**
Total credit exposures	**744,388**	**111,602**	**4,839**	**1,531**	**862,360**
Impairment provision	**(1,439)**	**(2,603)**	**(690)**	**(782)**	**(5,514)**
Provisions to credit exposure, %	**0. 2**	**2. 3**	**14. 3**	**51. 1**	**0. 6**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	8,867	1,336	–	–	**10,203**
Pass	3,635	4,201	–	–	**7,836**
Weak	51	316	19	9	**395**
Total financial guarantees and other off Balance Sheet instruments	**12,553**	**5,853**	**19**	**9**	**18,434**
Impairment provision	**(20)**	**(80)**	**(3)**	**–**	**(103)**
Provisions to credit exposure, %	**0. 2**	**1. 4**	**15. 8**	**–**	**0. 6**
Total credit exposures					
Credit grade					
Investment	489,363	23,333	–	–	**512,696**
Pass	264,590	85,439	–	–	**350,029**
Weak	2,988	8,683	4,858	1,540	**18,069**
Total credit exposures	**756,941**	**117,455**	**4,858**	**1,540**	**880,794**
Total impairment provision	**(1,459)**	**(2,683)**	**(693)**	**(782)**	**(5,617)**
Provisions to credit exposure, %	**0. 2**	**2. 3**	**14. 3**	**50. 8**	**0. 6**

1 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 60% of Stage 2 credit exposures for the Bank as at 30 June 2021.

Notes to the financial statements
For the year ended 30 June 2021

9.2 Credit risk (continued)

	Bank 30 Jun 21				
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Retail secured					
Credit grade					
Investment	366,422	4,241	–	–	**370,663**
Pass	192,343	16,432	–	–	**208,775**
Weak	1,676	3,896	3,628	622	**9,822**
Total retail secured	**560,441**	**24,569**	**3,628**	**622**	**589,260**
Impairment provision	**(666)**	**(534)**	**(404)**	**(174)**	**(1,778)**
Provisions to credit exposure, %	**0. 1**	**2. 2**	**11. 1**	**28. 0**	**0. 3**
Retail unsecured					
Credit grade					
Investment	14,283	1,061	–	–	**15,344**
Pass	8,384	1,581	–	–	**9,965**
Weak	750	678	132	–	**1,560**
Total retail unsecured	**23,417**	**3,320**	**132**	**–**	**26,869**
Impairment provision	**(457)**	**(616)**	**(123)**	**–**	**(1,196)**
Provisions to credit exposure, %	**2. 0**	**18. 6**	**93. 2**	**–**	**4. 5**
Non–retail					
Credit grade					
Investment	108,658	18,031	–	–	**126,689**
Pass	63,863	67,426	–	–	**131,289**
Weak	562	4,109	1,098	918	**6,687**
Total non-retail	**173,083**	**89,566**	**1,098**	**918**	**264,665**
Impairment provision	**(336)**	**(1,533)**	**(166)**	**(608)**	**(2,643)**
Provisions to credit exposure, %	**0. 2**	**1. 7**	**15. 1**	**66. 2**	**1. 0**
Total credit exposures					
Credit grade					
Investment	489,363	23,333	–	–	**512,696**
Pass	264,590	85,439	–	–	**350,029**
Weak	2,988	8,683	4,858	1,540	**18,069**
Total credit exposures	**756,941**	**117,455**	**4,858**	**1,540**	**880,794**
Total impairment provision	**(1,459)**	**(2,683)**	**(693)**	**(782)**	**(5,617)**
Provisions to credit exposure, %	**0. 2**	**2. 3**	**14. 3**	**50. 8**	**0. 6**

1 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 60% of Stage 2 credit exposures for the Bank as at 30 June 2021.

9.2 Credit risk (continued)

	Bank [1] 30 Jun 20				
	Stage 1 collectively assessed $M	Stage 2 [2] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Loans, bills discounted and other receivables					
Credit grade					
Investment	362,915	35,922	–	–	**398,837**
Pass	173,578	95,265	–	–	**268,843**
Weak	2,142	8,850	3,877	1,731	**16,600**
Gross carrying amount	**538,635**	**140,037**	**3,877**	**1,731**	**684,280**
Undrawn credit commitments					
Credit grade					
Investment	75,388	16,167	–	–	**91,555**
Pass	26,045	12,993	–	–	**39,038**
Weak	234	433	59	59	**785**
Total undrawn credit commitments	**101,667**	**29,593**	**59**	**59**	**131,378**
Total credit exposures	**640,302**	**169,630**	**3,936**	**1,790**	**815,658**
Impairment provision	**(1,400)**	**(2,876)**	**(490)**	**(813)**	**(5,579)**
Provisions to credit exposure, %	**0. 2**	**1. 7**	**12. 4**	**45. 4**	**0. 7**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	9,803	1,369	–	–	**11,172**
Pass	3,049	4,495	–	–	**7,544**
Weak	27	296	24	34	**381**
Total financial guarantees and other off Balance Sheet instruments	**12,879**	**6,160**	**24**	**34**	**19,097**
Impairment provision	**(18)**	**(93)**	**(2)**	**–**	**(113)**
Provisions to credit exposure, %	**0. 1**	**1. 5**	**8. 3**	**–**	**0. 6**
Total credit exposures					
Credit grade					
Investment	448,106	53,458	–	–	**501,564**
Pass	202,672	112,753	–	–	**315,425**
Weak	2,403	9,579	3,960	1,824	**17,766**
Total credit exposures	**653,181**	**175,790**	**3,960**	**1,824**	**834,755**
Total impairment provision	**(1,418)**	**(2,969)**	**(492)**	**(813)**	**(5,692)**
Provisions to credit exposure, %	**0. 2**	**1. 7**	**12. 4**	**44. 6**	**0. 7**

1 Comparative information has been restated to conform to presentation in the current year and to reflect the prior period restatement detailed in Note 1.1.

2 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 64% of Stage 2 credit exposures for the Bank as at 30 June 2020.

Notes to the financial statements
For the year ended 30 June 2021

9.2 Credit risk (continued)

	Bank [1] 30 Jun 20				
	Stage 1 collectively assessed $M	Stage 2 [2] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Retail secured					
Credit grade					
Investment	324,578	27,020	–	–	**351,598**
Pass	155,246	31,069	–	–	**186,315**
Weak	1,199	3,634	2,689	759	**8,281**
Total retail secured	**481,023**	**61,723**	**2,689**	**759**	**546,194**
Impairment provision	**(620)**	**(476)**	**(203)**	**(225)**	**(1,524)**
Provisions to credit exposure, %	**0. 1**	**0. 8**	**7. 5**	**29. 6**	**0. 3**
Retail unsecured					
Credit grade					
Investment	12,690	2,434	–	–	**15,124**
Pass	9,432	2,175	–	–	**11,607**
Weak	876	1,123	216	3	**2,218**
Total retail unsecured	**22,998**	**5,732**	**216**	**3**	**28,949**
Impairment provision	**(543)**	**(890)**	**(184)**	**(3)**	**(1,620)**
Provisions to credit exposure, %	**2. 4**	**15. 5**	**85. 2**	**100. 0**	**5. 6**
Non–retail					
Credit grade					
Investment	110,838	24,004	–	–	**134,842**
Pass	37,994	79,509	–	–	**117,503**
Weak	328	4,822	1,055	1,062	**7,267**
Total non-retail	**149,160**	**108,335**	**1,055**	**1,062**	**259,612**
Impairment provision	**(255)**	**(1,603)**	**(105)**	**(585)**	**(2,548)**
Provisions to credit exposure, %	**0. 2**	**1. 5**	**10. 0**	**55. 1**	**1. 0**
Total credit exposures					
Credit grade					
Investment	448,106	53,458	–	–	501,564
Pass	202,672	112,753	–	–	315,425
Weak	2,403	9,579	3,960	1,824	17,766
Total credit exposures	**653,181**	**175,790**	**3,960**	**1,824**	**834,755**
Total impairment provision	**(1,418)**	**(2,969)**	**(492)**	**(813)**	**(5,692)**
Provisions to credit exposure, %	**0. 2**	**1. 7**	**12. 4**	**44. 6**	**0. 7**

1 Comparative information has been restated to conform to presentation in the current year and to reflect the prior period restatement detailed in Note 1.1.

2 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 64% of Stage 2 credit exposures for the Bank as at 30 June 2020.

Notes to the financial statements

For the year ended 30 June 2021

9.2 Credit risk (continued)

Impaired assets by classification

Assets in credit risk rated portfolios and retail managed portfolios are assessed for objective evidence that the financial asset is impaired.

Impaired assets are split into the following categories:

- non-performing facilities;
- restructured facilities; and
- unsecured retail managed facilities 90 days or more past due.

Non-performing facilities are facilities against which an individually assessed provision for impairment has been raised and facilities where loss of principal or interest is anticipated. Interest income on these facilities is reserved and taken to the Income Statement only if paid in cash or if a recovery is made.

Restructured facilities are facilities where the original contractual terms have been modified to non-commercial terms due to financial difficulties of the borrower. Interest on these facilities is taken to the Income Statement. Failure to comply fully with the modified terms will result in immediate reclassification to non-performing.

Unsecured retail products 90 days or more past due are credit cards, personal loans and other unsecured retail products which are 90 days or more past due. These loans are collectively provided for.

The Group does not manage credit risk based solely on arrears categorisation, but also uses credit risk rating principles as described earlier in this note.

	Group				
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M
Australia					
Non–performing assets:					
Gross balances	**1,637**	1,845	2,217	1,711	1,962
Less provisions for impairment	**(737)**	(695)	(826)	(694)	(817)
Net non-performing assets	**900**	1,150	1,391	1,017	1,145
Restructured assets:					
Gross balances	**418**	363	428	264	174
Less provisions for impairment	**(33)**	(4)	(13)	(4)	–
Net restructured assets	**385**	359	415	260	174
Unsecured retail products 90 days or more past due:					
Gross balances	**123**	208	245	254	251
Less provisions for impairment	**(94)**	(185)	(199)	(161)	(157)
Net unsecured retail products 90 days or more past due	**29**	23	46	93	94
Net Australia impaired assets	**1,314**	1,532	1,852	1,370	1,413
Overseas					
Non–performing assets:					
Gross balances	**640**	824	518	695	686
Less provisions for impairment	**(250)**	(326)	(126)	(176)	(163)
Net non-performing assets	**390**	498	392	519	523
Restructured assets:					
Gross balances	**579**	278	196	242	101
Less provisions for impairment	**(33)**	(15)	(6)	(20)	–
Net restructured assets	**546**	263	190	222	101
Unsecured retail products 90 days or more past due:					
Gross balances	**12**	30	18	13	13
Less provisions for impairment	**(12)**	(30)	(17)	(13)	(12)
Net unsecured retail products 90 days or more past due	**–**	–	1	–	1
Net overseas impaired assets	**936**	761	583	741	625
Total net impaired assets	**2,250**	2,293	2,435	2,111	2,038

Notes to the financial statements
For the year ended 30 June 2021

9.2 Credit risk (continued)

Impaired assets by size

	Group					
Impaired assets by size	**Australia 30 Jun 21 $M**	**Overseas 30 Jun 21 $M**	**Total 30 Jun 21 $M**	**Australia 30 Jun 20 $M**	**Overseas 30 Jun 20 $M**	**Total 30 Jun 20 $M**
Less than $1 million	**1,190**	**643**	**1,833**	1,460	386	1,846
$1 million to $10 million	**566**	**233**	**799**	603	187	790
Greater than $10 million	**422**	**355**	**777**	353	559	912
Total [1, 2]	**2,178**	**1,231**	**3,409**	2,416	1,132	3,548

Movement in impaired assets

	Group				
Movement in gross impaired assets	**30 Jun 21 $M**	**30 Jun 20 $M**	**30 Jun 19 $M**	**30 Jun 18 $M**	**30 Jun 17 $M**
Gross impaired assets – opening balance	**3,548**	3,622	3,179	3,187	3,116
New and increased	**2,160**	2,631	2,289	2,136	2,164
Balances written off	**(741)**	(1,054)	(1,245)	(1,196)	(1,225)
Returned to performing or repaid	**(1,876)**	(2,221)	(1,328)	(1,666)	(1,637)
Portfolio managed – new/increased/return to performing/repaid	**318**	570	727	718	769
Gross impaired assets – closing balance [1, 2]	**3,409**	3,548	3,622	3,179	3,187

1 As at 30 June 2021, impaired assets include those assets in Stage 3 that are considered impaired, as well as $148 million of restructured assets in Stage 2 (30 June 2020: $77 million). Stage 3 assets include impaired assets and those that are defaulted but not impaired as they are well secured.

2 Includes $3,360 million of loans and advances and $49 million of other financial assets (30 June 2020: $3,382 million of loans and advances and $166 million of other financial assets).

Notes to the financial statements
For the year ended 30 June 2021

9.2 Credit risk (continued)

Impaired assets by industry/sector and status

	Group 30 Jun 21						
Industry/ sector	Total balance $M	Gross impaired assets $M	Total provisions for impaired assets [1] $M	Net impaired assets $M	Write-offs [2] $M	Recoveries [2] $M	Net Write-offs [2] $M
Loans – Australia							
Sovereign	17,620	–	–	–	–	–	–
Agriculture	12,136	106	(52)	54	14	–	14
Bank and other financial	13,886	4	(3)	1	–	–	–
Construction	5,002	78	(37)	41	9	–	9
Consumer	532,157	1,313	(338)	975	521	(115)	406
Other commercial and industrial	124,794	643	(434)	209	107	(3)	104
Total loans – Australia	705,595	2,144	(864)	1,280	651	(118)	533
Loans – Overseas							
Sovereign	138	–	–	–	–	–	–
Agriculture	9,775	130	(21)	109	2	–	2
Bank and other financial	6,792	1	–	1	4	–	4
Construction	683	10	(2)	8	1	–	1
Consumer	66,055	613	(67)	546	56	(12)	44
Other commercial and industrial	29,228	462	(205)	257	145	(1)	144
Total loans – Overseas	112,671	1,216	(295)	921	208	(13)	195
Total loans	818,266	3,360	(1,159)	2,201	859	(131)	728
Other balances – Australia							
Off Balance Sheet instruments	168,047	33	–	33	–	–	–
Derivatives	18,718	1	–	1	–	–	–
Total other balances – Australia	186,765	34	–	34	–	–	–
Other balances – Overseas							
Off Balance Sheet instruments	32,474	4	–	4	–	–	–
Derivatives	2,731	11	–	11	–	–	–
Total other balances – Overseas	35,205	15	–	15	–	–	–
Total other balances	221,970	49	–	49	–	–	–
Total	1,040,236	3,409	(1,159)	2,250	859	(131)	728

1 Includes $900 million of individually assessed provisions and $259 million of collective provisions.

2 Write-off, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

Notes to the financial statements

For the year ended 30 June 2021

9.2 Credit risk (continued)

	Group [1] 30 Jun 20						
Industry/ sector	Total balance $M	Gross impaired assets $M	Total provision for impaired assets [2] $M	Net impaired assets $M	Write-offs [3] $M	Recoveries [3] $M	Net Write-offs [3] $M
Loans – Australia							
Sovereign	23,480	2	–	2	–	–	–
Agriculture	10,512	103	(54)	49	1	(4)	(3)
Bank and other financial	13,260	6	(4)	2	1	–	1
Construction	5,045	71	(42)	29	35	(1)	34
Consumer	503,490	1,611	(423)	1,188	772	(156)	616
Other commercial and industrial	118,691	595	(361)	234	240	(11)	229
Total loans – Australia	674,478	2,388	(884)	1,504	1,049	(172)	877
Loans – Overseas							
Sovereign	14	–	–	–	–	–	–
Agriculture	9,726	155	(19)	136	36	–	36
Bank and other financial	6,730	–	–	–	4	–	4
Construction	658	3	(1)	2	2	–	2
Consumer	58,961	335	(66)	269	65	(13)	52
Other commercial and industrial	29,541	501	(285)	216	51	–	51
Total loans – Overseas	105,630	994	(371)	623	158	(13)	145
Total loans	780,108	3,382	(1,255)	2,127	1,207	(185)	1,022
Other balances – Australia							
Off Balance Sheet instruments	154,521	64	–	64	–	–	–
Derivatives	28,820	3	–	3	–	–	–
Total other balances – Australia	183,341	67	–	67	–	–	–
Other balances – Overseas							
Off Balance Sheet instruments	27,822	50	–	50	–	–	–
Derivatives	1,465	49	–	49	–	–	–
Total other balances – Overseas	29,287	99	–	99	–	–	–
Total other balances	212,628	166	–	166	–	–	–
Total	992,736	3,548	(1,255)	2,293	1,207	(185)	1,022

1 Comparative information has been restated to conform to presentation in the current year and to reflect the prior period restatement detailed in Note 1.1.
2 Includes $967 million of individually assessed provisions and $288 million of collective provisions.
3 Write-off, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

9.2 Credit risk (continued)

Collateral held against loans, bills discounted and other receivables

	Group 30 Jun 21			
	Home loans	Other consumer	Other lending	Total [1]
Maximum exposure ($M)	673,148	39,846	292,844	**1,005,838**
Collateral classification:				
Secured (%)	99.2	5.9	54.9	**82.6**
Partially secured (%)	0.8	–	14.7	**4.8**
Unsecured (%)	–	94.1	30.4	**12.6**

1 As at 30 June 2021, total exposures in ECL Stage 3 were $7,713 million. 63% of these exposures were secured, 26% partially secured and 11% unsecured.

	Group 30 Jun 20 [1]			
	Home loans	Other consumer	Other lending	Total [2]
Maximum exposure ($M)	621,998	43,061	283,586	948,645
Collateral classification:				
Secured (%)	99.2	5.3	54.0	81.4
Partially secured (%)	0.8	–	14.3	4.8
Unsecured (%)	–	94.7	31.7	13.8

1 Comparative information has been restated to conform to presentation in the current year and to reflect the prior period restatement detailed in Note 1.1.
2 As at 30 June 2020, total exposures in ECL Stage 3 were $6,950 million. 57% of these exposures were secured, 27% partially secured and 16% unsecured.

	Bank 30 Jun 21			
	Home loans	Other consumer	Other lending	Total [1]
Maximum exposure ($M)	590,748	36,281	256,733	**883,762**
Collateral classification:				
Secured (%)	99.2	6.3	55.1	**82.6**
Partially secured (%)	0.8	–	13.1	**4.3**
Unsecured (%)	–	93.7	31.8	**13.1**

1 As at 30 June 2021, total exposures in ECL Stage 3 were $6,398 million. 71% of these exposures were secured, 18% partially secured and 11% unsecured.

	Bank [1] 30 Jun 20			
	Home loans	Other consumer	Other lending	Total [2]
Maximum exposure ($M)	549,145	37,844	250,843	837,832
Collateral classification:				
Secured (%)	99.2	5.7	55.0	81.7
Partially secured (%)	0.8	–	11.9	4.1
Unsecured (%)	–	94.3	33.1	14.2

1 Comparative information has been restated to conform to presentation in the current year and to reflect the prior period restatement detailed in Note 1.1.
2 As at 30 June 2020, total exposures in ECL Stage 3 were $5,784 million. 64% of these exposures were secured, 20% partially secured and 16% unsecured.

For the purposes of the collateral classification above, home loans are classified as secured unless they are defaulted in which case they are classified as partially secured. For other types of credit exposures, a facility is determined to be secured where its ratio of exposure to the estimated value of collateral (adjusted for lending margins) is less than or equal to 100%. A facility is deemed to be partly secured when this ratio exceeds 100% but not more than 250%, and unsecured when either no security is held (e.g. can include credit cards, personal loans, small business loans, and exposures to highly rated corporate entities), or where the secured loan to estimated value of collateral exceeds 250%.

Notes to the financial statements
For the year ended 30 June 2021

9.2 Credit risk (continued)

Collateral held against loans, bills discounted and other receivables (continued)

Home loans

Home loans are generally secured by fixed charges over borrowers' residential properties. In limited circumstances, collateral in the form of cash or commercial property may be provided in addition to residential property. With the exception of some relatively small portfolios, for loans with a Loan to Valuation Ratio (LVR) of higher than 80% either a Low Deposit Premium or margin is levied, or Lenders Mortgage Insurance (LMI) is taken out to cover the difference between the principal plus interest owing and the net amount received from selling the collateral post default.

Other consumer

Other consumer category includes credit card and personal loans which are predominantly unsecured, whilst margin lending is secured.

Other lending

The Group's main collateral types for other lending consists of secured rights over specified assets of the borrower in the form of: commercial property; land rights; cash (usually in the form of a charge over a deposit); guarantees by company Directors; a charge over a company's assets (including debtors, inventory and work in progress); or a charge over shares. In other instances, a client's facilities may be secured by collateral with value less than the carrying amount of the credit exposure. These facilities are deemed partly secured or unsecured.

9.3 Market risk

Market risk measurement

The Group uses Value-at-Risk (VaR) as one of the measures of traded and non-traded market risk. VaR measures potential loss using historically observed market movements and correlation between different markets.

VaR is modelled at a 99.0% confidence level. This means that there is a 99.0% probability that the loss will not exceed the VaR estimate on any given day.

The VaR measured for traded market risk uses two years of daily movement in market rates. The VaR measure for non-traded banking book market risk uses six years of daily movement in market rates.

A 10-day holding period is used for trading book positions. A 20-day holding period is used for interest rate risk in the banking book.

VaR is driven by historical observations and is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses stress testing to measure the potential for economic loss at confidence levels significantly higher than 99.0%. Management then uses these results in decisions to manage the economic impact of market risk positions.

Total market risk VaR (10-day 99.0% confidence)	Average June 2021 [1] $M	As at June 2021 $M	Average June 2020 [1] $M	As at June 2020 $M
Traded market risk	**75. 7**	**72. 7**	48. 9	39. 3
Non-traded interest rate risk [2]	**410. 5**	**243. 0**	258. 4	479. 7

1 Average VaR calculated for each 12 month period.

2 The risk of these exposures has been represented in this table using a 10-day holding period. In practice, however, these 'non-traded' exposures are managed to a longer holding period.

Traded market risk

Traded market risk is generated through the Group's participation in financial markets to service its customers. The Group trades and distributes interest rate, foreign exchange, debt, equity and commodity products, and provides treasury, capital markets and risk management services to its customers globally.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury, capital market and risk management instruments, including a broad range of securities and derivatives.

Traded market risk VaR (10-day 99.0% confidence)	Average June 2021 [1] $M	As at June 2021 $M	Average June 2020 [1] $M	As at June 2020 $M
Interest rate risk	**31. 1**	**31. 3**	23. 8	21. 1
Foreign exchange risk	**7. 0**	**3. 7**	21. 2	3. 0
Equities risk	**0. 6**	**–**	0. 3	–
Commodities risk	**16. 0**	**30. 0**	8. 5	10. 1
Credit spread risk	**30. 6**	**42. 6**	19. 4	35. 5
Other market risk [2]	**19. 6**	**21. 1**	41. 0	18. 0
Diversification benefit	**(45. 8)**	**(72. 5)**	(73. 1)	(53. 0)
Total general market risk	**59. 1**	**56. 2**	41. 1	34. 7
Undiversified risk	**12. 9**	**15. 8**	7. 1	4. 0
Other [3]	**3. 7**	**0. 7**	0. 7	0. 6
Total	**75. 7**	**72. 7**	48. 9	39. 3

1 Average VaR calculated for each 12 month period.

2 Includes volatility risk and basis risk.

3 Includes ASB and PTBC.

Notes to the financial statements
For the year ended 30 June 2021

9.3 Market risk (continued)

Non-traded market risk

Interest rate risk in the banking book

Interest rate risk is the current and prospective impact to the Group's financial condition due to adverse changes in interest rates to which the Group's Balance Sheet is exposed. The maturity transformation activities of the Group create mismatches in the repricing terms of asset and liability positions. These mismatches may have undesired earnings and value outcomes depending on the interest rate movements. The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long-term.

The Group measures and manages the impact of interest rate risk in two ways:

(a) Next 12 months' earnings

Interest rate risk from an earnings perspective is the impact based on changes to the Net interest income over the next 12 months.

The risk to Net interest income over the next 12 months from changes in interest rates is measured on a monthly basis.

Earnings risk is measured through sensitivity analysis, which applies an instantaneous 100 basis point parallel shock in interest rates across the yield curve.

The prospective change to the Net interest income is measured by using an Asset and Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change in the Balance Sheet product mix, growth, funding and pricing strategies is incorporated.

Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied.

Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Group and repricing behaviours of customers. In addition to considering how the products have been repriced in the past the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analysis.

The amounts in the following table represent the potential unfavourable change to the Group's net interest earnings during the year based on a 100 basis point parallel rate shock. As the official cash rate was 0.1% in Australia and 0.25% in New Zealand as at 30 June 2021 (30 June 2020: 0.25% in Australia and New Zealand), a downward rate shock of 100 basis points implies a 0.90% negative interest rate for Australia and a 0.75% negative interest rate for New Zealand (30 June 2020: 0.75% negative interest rate for Australia and New Zealand). The analysis for AUD as at 30 June 2021 reflects updates to management asset pricing strategies for a 100 basis point reduction in interest rates.

Net interest earnings at risk [1]		June 2021 $M	June [2] 2020 $M
Average monthly exposure	AUD	**1,793. 3**	1,008. 7
	NZD	**288. 0**	106. 3
High monthly exposure	AUD	**2,346. 5**	1,682. 0
	NZD	**331. 4**	215. 9
Low monthly exposure	AUD	**765. 0**	506. 7
	NZD	**212. 4**	47. 3
As at balance date	AUD	**1,036. 0**	1,682. 0
	NZD	**310. 3**	166. 2

1 Exposures over a 12 month period. NZD exposures are presented in NZD.
2 Comparative information for NZD has been restated to conform to presentation in the current year. This includes a change in modelling to account for the impact of interest rate floors on deposits.

(b) Economic value

Interest rate risk from the economic value perspective is based on a 20-day 99.0% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long-term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the VaR methodology.

A 20-day 99.0% VaR measure is used to capture the net economic value impact over the long-term or total life of all Balance Sheet assets and liabilities to adverse changes in interest rates.

The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

9.3 Market risk (continued)

Non-traded interest rate risk VaR (20-day 99.0% confidence)	June 2021 [1] $M	June 2020 [1] $M
Average daily exposure	**580. 5**	365. 4
High daily exposure	**743. 0**	804. 2
Low daily exposure	**332. 5**	224. 1
As at balance date	**343. 7**	678. 4

1 Average VaR calculated for each 12 month period.

Structural foreign exchange risk

Structural foreign exchange risk is the risk that movements in foreign exchange rates may have an adverse effect on the Group's Australian dollar earnings and economic value when the Group's foreign currency denominated earnings and capital are translated into Australian dollars. The Group's only material exposure to this risk arises from its operations in New Zealand, Asia, USA and the Netherlands.

Lease residual value risk

The Group takes lease residual value risk on assets such as industrial, mining, rail, aircraft, marine, and other equipment. A lease residual value guarantee exposes the Group to a potential fall in prices of these assets below the guarantee level at lease expiry.

Commonwealth Bank Group Super Fund

The Commonwealth Bank Group Super Fund (the Fund) has a defined benefit portion that creates market risk for the Group.

Risk management provides oversight of the market risks associated with the assets invested on behalf of the CBA employees receiving defined benefits including pensioners (refer to Note 10.2). Monthly updates are provided to the Fund Trustee and a committee chaired by Human Resources.

Notes to the financial statements
For the year ended 30 June 2021

9.4 Liquidity and funding risk

OVERVIEW

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due by ensuring it is able to issue debt on an unsecured or secured basis, has sufficient liquid assets to borrow against under repurchase agreements or sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

Liquidity and funding risk management framework

The CBA Board is ultimately responsible for the sound and prudent management of liquidity risk across the Group. The Group's liquidity and funding policies, structured under a formal Group Liquidity and Funding Risk Management Framework, are approved by the Board and agreed with APRA. The Group Asset and Liability Committee (ALCO) charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's Liquidity Policy and supporting standards, and has ultimate authority to execute liquidity and funding decisions should the Group Contingency Funding Plan be activated. Risk Management provides oversight of the Group's liquidity and funding risks, compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB, manages its own domestic liquidity and funding needs in accordance with its own liquidity policy and the policies of the Group. ASB's liquidity policy is also overseen by the RBNZ.

Liquidity and funding policies and management

The Group's liquidity and funding policies provide that:

- an excess of liquid assets over the minimum prescribed under APRA's LCR requirement is maintained. Australian ADIs are required to meet a 100% LCR, calculated as the ratio of high quality liquid assets to 30 day net cash outflows projected under a prescribed stress scenario;
- a surplus of stable funding from various sources, as measured by APRA's Net Stable Funding Ratio (NSFR), is maintained. The NSFR is calculated by applying factors prescribed by APRA to assets and liabilities to determine a ratio of required stable funding to available stable funding which must be greater than 100%;
- additional internal funding and liquidity metrics are calculated and stress tests additional to the LCR are run;
- short and long-term wholesale funding limits are established, monitored and reviewed regularly;
- the Group's wholesale funding market capacity is regularly assessed and used as a factor in funding strategies;
- liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- the Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government securities. The second includes Negotiable Certificates of Deposit, bank term securities, supranational bonds, Australian Residential Mortgage Backed Securities (RMBS) and other securities that meet RBA criteria for purchases under repurchase agreements. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA using the Committed Liquidity Facility (CLF) and Term Funding Facility (TFF); and
- offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets to meet required regulations.

The Group's key funding tools include:

- consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- small business customer and institutional deposit base;
- wholesale domestic and international funding programmes, which include Australian dollar Negotiable Certificates of Deposit, US and Euro Commercial Paper programmes, Australian dollar Domestic Debt Programme, US Medium-Term Note Programmes, Euro Medium-Term Note Programme, multi jurisdiction Covered Bond programme and Medallion securitisation programmes; and
- access to the RBA Term Funding Facility (TFF) and RBNZ term lending facilities.

Notes to the financial statements

For the year ended 30 June 2021

9.4 Liquidity and funding risk (continued)

The Group's key liquidity tools include:

- a liquidity management model that implements the established prudential liquidity requirements. This model is calibrated with a series of 'stress' liquidity crisis scenarios, incorporating both systemic and idiosyncratic crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- an additional liquidity management model that allows forecasting of liquidity needs on a daily basis;
- 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;
- Central Bank repurchase agreement facilities including the RBA's CLF that provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- a robust Contingency Funding Plan that is regularly tested so that it can be quickly activated when required.

Maturity analysis of monetary liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	Group Maturity period as at 30 June 2021				
	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M
Monetary liabilities					
Deposits and other public borrowings [1]	674,831	86,458	5,618	92	766,999
Payables to financial institutions	14,218	4,852	–	–	19,070
Liabilities at fair value through Income Statement	2,327	3,458	1,283	1,472	8,540
Derivative financial instruments:					
Held for trading	928	–	–	–	928
Held for hedging purposes (net-settled)	86	132	266	72	556
Held for hedging purposes (gross-settled):					
Outflows	1,916	11,152	20,511	25,975	59,554
Inflows	(1,444)	(10,179)	(19,718)	(23,548)	(54,889)
Liabilities held for sale	190	–	–	–	190
Term funding from central banks	–	254	51,843	–	52,097
Debt issues and loan capital	11,282	23,182	53,014	52,850	140,328
Lease liabilities	127	365	1,536	1,549	3,577
Other monetary liabilities	5,905	506	143	32	6,586
Total monetary liabilities	710,366	120,180	114,496	58,494	1,003,536
Guarantees [2]	5,688	–	–	–	5,688
Loan commitments [2]	187,572	–	–	–	187,572
Other commitments [2]	7,261	–	–	–	7,261
Total off Balance Sheet items	200,521	–	–	–	200,521
Total monetary liabilities and off Balance Sheet items	910,887	120,180	114,496	58,494	1,204,057

1 Includes deposits that are contractually at call, customer savings and cheque accounts. These accounts provide a stable source of long-term funding.
2 All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

Notes to the financial statements

For the year ended 30 June 2021

9.4 Liquidity and funding risk (continued)

	Group [1] Maturity period as at 30 June 2020				
	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M
Monetary liabilities					
Deposits and other public borrowings [2]	606,607	91,162	5,944	1,057	704,770
Payables to financial institutions	11,820	3,105	37	–	14,962
Liabilities at fair value through Income Statement	769	178	746	2,906	4,599
Derivative financial instruments:					
Held for trading	25,280	–	–	–	25,280
Held for hedging purposes (net-settled)	115	244	718	91	1,168
Held for hedging purposes (gross-settled):					
Outflows	6,535	9,380	44,008	24,410	84,333
Inflows	(3,521)	(8,816)	(41,966)	(23,036)	(77,339)
Liabilities held for sale	414	–	–	–	414
Term funding from central banks	–	–	1,511	–	1,511
Debt issues and loan capital	13,255	25,978	83,871	60,408	183,512
Lease Liabilities	132	411	1,807	1,155	3,505
Other monetary liabilities	6,580	370	80	59	7,089
Total monetary liabilities	667,986	122,012	96,756	67,050	953,804
Guarantees [3]	6,448	–	–	–	6,448
Loan commitments [3]	168,537	–	–	–	168,537
Other commitments [3]	7,358	–	–	–	7,358
Total off Balance Sheet items	182,343	–	–	–	182,343
Total monetary liabilities and off Balance Sheet items	850,329	122,012	96,756	67,050	1,136,147

1 Comparative information has been restated to conform to presentation in the current year and to reflect the prior period restatement detailed in Note 1.1.
2 Includes deposits that are contractually at call, customer savings and cheque accounts. These accounts provide a stable source of long-term funding.
3 All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

Notes to the financial statements

For the year ended 30 June 2021

9.4 Liquidity and funding risk (continued)

	Bank				
	Maturity period as at 30 June 2021				
	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M
Monetary liabilities					
Deposits and other public borrowings [1]	615,965	74,039	3,642	42	693,688
Payables to financial institutions	13,694	4,852	–	–	18,546
Liabilities at fair value through Income Statement	61	58	1,283	1,472	2,874
Derivative financial instruments:					
Held for trading	2,791	–	–	–	2,791
Held for hedging purposes (net-settled)	86	153	294	72	605
Held for hedging purposes (gross-settled):					
Outflows	2,866	9,572	17,172	28,670	58,280
Inflows	(2,445)	(9,054)	(17,033)	(27,400)	(55,932)
Term funding from central banks	–	–	51,375	–	51,375
Debt issues and loan capital	9,576	19,564	38,041	46,521	113,702
Due to controlled entities	10,554	5,278	20,791	8,227	44,850
Lease liabilities	117	336	1,336	1,527	3,316
Other monetary liabilities	6,264	450	121	32	6,867
Total monetary liabilities	659,529	105,248	117,022	59,163	940,962
Guarantees [2]	5,193	–	–	–	5,193
Loan commitments [2]	170,014	–	–	–	170,014
Other commitments [2]	7,106	–	–	–	7,106
Total off Balance Sheet items	182,313	–	–	–	182,313
Total monetary liabilities and off Balance Sheet items	841,842	105,248	117,022	59,163	1,123,275

1 Includes deposits that are contractually at call, customer savings and cheque accounts. These accounts provide a stable source of long-term funding.

2 All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

Notes to the financial statements

For the year ended 30 June 2021

9.4 Liquidity and funding risk (continued)

	Bank [1]				
	Maturity period as at 30 June 2020				
	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M
Monetary liabilities					
Deposits and other public borrowings [2]	553,706	75,120	3,917	991	633,734
Payables to financial institutions	10,741	3,105	37	–	13,883
Liabilities at fair value through Income Statement	260	178	746	2,906	4,090
Derivative financial instruments:					
Held for trading	28,381	–	–	–	28,381
Held for hedging purposes (net-settled)	114	267	767	95	1,243
Held for hedging purposes (gross-settled):					
Outflows	6,584	10,689	47,648	29,394	94,315
Inflows	(3,716)	(10,404)	(46,124)	(28,410)	(88,654)
Term funding from central banks	–	–	1,511	–	1,511
Debt issues and loan capital	11,978	21,493	65,223	53,865	152,559
Due to controlled entities	6,687	6,400	26,315	13,670	53,072
Lease liabilities	121	381	1,680	1,051	3,233
Other monetary liabilities	6,496	238	106	32	6,872
Total monetary liabilities	621,352	107,467	101,826	73,594	904,239
Guarantees [3]	5,974	–	–	–	5,974
Loan commitments [3]	152,725	–	–	–	152,725
Other commitments [3]	7,225	–	–	–	7,225
Total off Balance Sheet items	165,924	–	–	–	165,924
Total monetary liabilities and off Balance Sheet items	787,276	107,467	101,826	73,594	1,070,163

1 Comparative information has been restated to conform to presentation in the current year and to reflect the prior period restatement detailed in Note 1.1.
2 Includes deposits that are contractually at call, customer savings and cheque accounts. These accounts provide a stable source of long-term funding.
3 All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

9.5 Disclosures about fair values

Fair value hierarchy for financial assets and liabilities measured at fair value

The classification in the fair value hierarchy of the Group's and the Bank's financial assets and liabilities measured at fair value is presented in the tables below. An explanation of how fair values are calculated and the levels in the fair value hierarchy, is included in the accounting policy within this note.

	Group							
	Fair value as at 30 June 2021				Fair value as at 30 June 2020			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	19,764	6,556	111	**26,431**	33,001	5,422	–	38,423
Other	106	10,311	122	**10,539**	77	7,992	53	8,122
Derivative assets	153	21,242	54	**21,449**	192	29,966	127	30,285
Investment securities at fair value through Other Comprehensive Income	64,629	19,171	2,760	**86,560**	60,336	18,648	565	79,549
Assets held for sale	–	301	–	**301**	–	260	–	260
Total financial assets measured at fair value	84,652	57,581	3,047	**145,280**	93,606	62,288	745	156,639
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	2,645	5,736	–	**8,381**	3,615	782	–	4,397
Derivative liabilities	9	18,454	23	**18,486**	69	31,248	30	31,347
Total financial liabilities measured at fair value	2,654	24,190	23	**26,867**	3,684	32,030	30	35,744

	Bank							
	Fair value as at 30 June 2021				Fair value as at 30 June 2020			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	19,760	6,554	111	**26,425**	32,991	5,422	–	38,413
Other	–	10,082	95	**10,177**	–	7,818	53	7,871
Derivative assets	153	21,237	54	**21,444**	192	29,003	127	29,322
Investment securities at fair value through Other Comprehensive Income	58,284	17,657	2,760	**78,701**	54,472	17,298	565	72,335
Total financial assets measured at fair value	78,197	55,530	3,020	**136,747**	87,655	59,541	745	147,941
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	2,645	76	–	**2,721**	3,485	403	–	3,888
Derivative liabilities	9	21,451	23	**21,483**	68	36,150	30	36,248
Total financial liabilities measured at fair value	2,654	21,527	23	**24,204**	3,553	36,553	30	40,136

Notes to the financial statements
For the year ended 30 June 2021

9.5 Disclosures about fair values (continued)

Analysis of movements between fair value hierarchy levels

There were no significant reclassifications of financial instruments between Level 1 and Level 2 during the year ended 30 June 2021. The tables below summarise movements in Level 3 balance during the year. Transfers have been reflected as if they had taken place at the end of the reporting periods. Transfers in and out of Level 3 were due to changes in the observability of inputs.

Level 3 movement analysis for the year ended 30 June 2021

	Group					
	Financial Assets				Financial Liabilities	
	Derivative assets $M	Investment securities at fair value through OCI $M	Assets at fair value through Income Statement $M	Assets held for sale $M	Derivative liabilities $M	Liabilities held for sale $M
As at 1 July 2019	84	53	–	2,339	(66)	(496)
Purchases	–	453	54	15	–	–
Sales/settlements	(23)	(4)	–	–	–	–
Gains/(losses) in the year:						
Recognised in the Income Statement	51	–	(1)	(4)	1	–
Recognised in the Statement of Comprehensive Income	–	60	–	–	(24)	–
Transfers in	34	3	–	–	–	(21)
Transfers out	(19)	–	–	–	59	–
Derecognised on deconsolidation of controlled entities	–	–	–	(2,350)	–	517
As at 30 June 2020	127	565	53	–	(30)	–
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2020	48	–	(1)	–	1	–
As at 1 July 2020	127	565	53	–	(30)	–
Purchases	–	49	168	–	–	–
Sales/settlements	(41)	(3)	–	–	–	–
Gains/(losses) in the year:						
Recognised in the Income Statement	(13)	–	(3)	–	(3)	–
Recognised in the Statement of Comprehensive Income	–	2,146	–	–	10	–
Transfers in	–	3	15	–	–	–
Transfers out	(19)	–	–	–	–	–
As at 30 June 2021	54	2,760	233	–	(23)	–
Losses recognised in the Income Statement for financial instruments held as at 30 June 2021	(34)	–	(3)	–	(3)	–

9.5 Disclosures about fair values (continued)

	Bank			
	Financial assets			Financial liabilities
	Derivative assets $M	Investment securities at fair value through OCI $M	Assets at fair value through Income Statement $M	Derivative liabilities $M
As at 1 July 2019	84	53	–	(66)
Purchases	–	453	54	–
Sales/settlements	(23)	(4)	–	–
Gains/(losses) in the period:				
Recognised in the Income Statement	51	–	(1)	1
Recognised in the Statement of Comprehensive Income	–	60	–	(24)
Transfers in	34	3	–	–
Transfers out	(19)	–	–	59
As at 30 June 2020	127	565	53	(30)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2020	48	–	(1)	1
As at 1 July 2020	127	565	53	(30)
Purchases	–	49	153	–
Sales/settlements	(41)	(3)	–	–
Gains/(losses) in the period:				
Recognised in the Income Statement	(13)	–	–	(3)
Recognised in the Statement of Comprehensive Income	–	2,146	–	10
Transfers in	–	3	–	–
Transfers out	(19)	–	–	–
As at 30 June 2021	54	2,760	206	(23)
Losses recognised in the Income Statement for financial instruments held as at 30 June 2021	(34)	–	–	(3)

Notes to the financial statements

For the year ended 30 June 2021

9.5 Disclosures about fair values (continued)

Fair value information for financial instruments not measured at fair value

The estimated fair values and fair value hierarchy of the Group's and the Bank's financial instruments not measured at fair value are presented below. Fair values of financial assets and liabilities not included in the table below approximate their carrying values.

	30 Jun 21					30 Jun 20 [1]				
	Carrying value	Fair value				Carrying value	Fair value			
	Total	Level 1	Level 2	Level 3	Total	Total	Level 1	Level 2	Level 3	Total
Group	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Financial assets										
Investment securities at amortised cost	**4,278**	**–**	**4,313**	**–**	**4,313**	5,173	–	5,145	15	5,160
Loans, bills discounted and other receivables	**811,356**	**–**	**–**	**813,503**	**813,503**	772,980	–	–	773,196	773,196
Financial liabilities										
Deposits and other public borrowings	**766,381**	**–**	**766,618**	**–**	**766,618**	703,432	–	703,871	–	703,871
Debt issues	**103,003**	**–**	**104,403**	**–**	**104,403**	142,503	–	142,466	–	142,466
Loan capital	**29,360**	**12,266**	**17,529**	**–**	**29,795**	27,357	10,811	15,900	–	26,711
Bank										
Financial assets										
Investment securities at amortised cost	**4,278**	**–**	**4,313**	**–**	**4,313**	5,167	–	5,145	9	5,154
Loans, bills discounted and other receivables	**708,505**	**–**	**–**	**710,644**	**710,644**	678,701	–	–	678,445	678,445
Shares in and loans to controlled entities	**58,102**	**–**	**–**	**58,165**	**58,165**	66,792	–	–	65,259	65,259
Financial liabilities										
Deposits and other public borrowings	**693,197**	**–**	**693,361**	**–**	**693,361**	632,734	–	632,984	–	632,984
Debt issues	**77,840**	**–**	**79,462**	**–**	**79,462**	113,323	–	114,081	–	114,081
Loan capital	**28,976**	**12,276**	**17,150**	**–**	**29,426**	26,964	10,820	15,512	–	26,332

1 Comparative information has been restated. For details refer to Note 1.1.

Notes to the financial statements

For the year ended 30 June 2021

9.5 Disclosures about fair values (continued)

ACCOUNTING POLICIES

Valuation

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

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

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

The fair value of Over-the-Counter (OTC) derivatives includes credit valuation adjustments (CVA) for derivative assets to reflect the credit worthiness of the counterparty. Fair value of uncollateralised derivative assets and uncollateralised derivative liabilities incorporate funding valuation adjustments (FVA) to reflect funding costs and benefits to the Group. These adjustments are applied after considering any relevant collateral or master netting arrangements.

Fair value hierarchy

The Group utilises various valuation techniques and applies a hierarchy for valuation inputs that maximise the use of observable market data, if available.

Under AASB 13 *Fair Value Measurement* all financial and non-financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:

Quoted prices in active markets – Level 1

This category includes assets and liabilities for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial instruments included in this category are liquid government bonds, listed equities and exchange traded derivatives.

Valuation technique using observable inputs – Level 2

This category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are financial institution and corporate bonds, certificates of deposit, bank bills, commercial papers, mortgage-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and FX options.

Valuation technique using significant unobservable inputs – Level 3

This category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility. Financial instruments included in this category for the Group and Bank are certain exotic OTC derivatives and unlisted equity instruments.

As at 30 June 2021, the Group held an unlisted equity investment in Klarna Bank AB (Klarna) measured on a recurring basis at fair value through other comprehensive income of $2,701 million (30 June 2020: $506 million). The valuation of the investment as at 30 June 2021 was based on a methodology leveraging revenue multiples of market listed comparable companies, as well as inputs relating to a recent private equity capital raise executed by Klarna. Comparable listed companies were included based on industry, size, developmental stage and/or strategy. A revenue multiple was derived for each comparable company identified and then discounted for considerations such as illiquidity and differences between the comparable companies and Klarna based on company-specific facts and circumstances. The range of implied revenue multiples applied by the Group in assessing the fair value was 29-36x. The Group adopted a revenue multiple of 32x in its valuation as at 30 June 2021. The effect of adjusting the revenue multiples by +/-25% representing a range of reasonably possible alternatives would be to increase the fair value by up to $225 million or to decrease the fair value by up to $225 million with all of the potential effect impacting the Investment securities revaluation reserve.

The valuation as at 30 June 2020 was based on a different methodology on the basis that there were no private equity capital raises executed by the entity close to the balance sheet date. The methodology leveraged revenue multiples of market listed comparable companies and significant unobservable inputs including adjustments for market volatility and liquidity. The range of revenue multiples applied by the Group was 9x-10x. The effect of adjusting these inputs by +/- 15% would be to increase the fair value by up to $75 million or to decrease the fair value by up to $75 million with all of the potential effect impacting Investment securities revaluation reserve.

Notes to the financial statements
For the year ended 30 June 2021

9.5 Disclosures about fair values (continued)

The Group has assessed the impact of the announced acquisition by Square, Inc. of Afterpay Limited on 2 August 2021 on the valuation of its holding in Klarna. Given consideration to the control premium inherent in this transaction there is no material difference in the Group's valuation of Klarna.

Critical accounting judgements and estimates

Valuation techniques are used to estimate the fair value of securities. When using valuation techniques the Group makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that the Group believes market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Data inputs that the Group relies upon when valuing financial instruments relate to counterparty credit risk, volatility, correlation and extrapolation.

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

9.6 Collateral arrangements

Collateral accepted as security for assets

The Group takes collateral where it is considered necessary to support both on and off Balance Sheet financial instruments. The Group evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, is based on management's credit evaluation of the counterparty. The Group has the right to sell, re-pledge, or otherwise use some of the collateral received. At Balance Sheet date the carrying value of cash accepted as collateral (and recognised on the Group's and the Bank's Balance Sheets) and the fair value of securities accepted as collateral (but not recognised on the Group's or the Bank's Balance Sheets) were as follows:

	Group		Bank	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	$M	$M	$M	$M
Cash	**4,778**	5,419	**4,477**	4,274
Securities	**12,666**	16,858	**12,490**	16,290
Collateral held	**17,444**	22,277	**16,967**	20,564
Collateral held which is re-pledged or sold	**4,260**	4,390	**4,260**	4,390

Assets pledged

As part of standard terms of transactions with other banks, the Group has provided collateral to secure liabilities. At Balance Sheet date, the carrying value of assets pledged as collateral to secure liabilities were as follows:

	Group		Bank [1]	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	$M	$M	$M	$M
Cash	**5,502**	8,581	**5,350**	8,731
Securities [2]	**21,210**	19,138	**21,260**	19,345
Assets pledged	**26,712**	27,719	**26,610**	28,076
Asset pledged which can be re-pledged or re-sold by counterparty	**21,210**	19,138	**21,260**	19,345

1 Comparative information has been restated to conform to presentation in the current year.
2 These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 4.1.

The Group and the Bank have pledged collateral as part of entering into repurchase and derivative agreements. These transactions are governed by standard industry agreements.

9.7 Offsetting financial assets and financial liabilities

The table below identifies amounts that have been offset on the Balance Sheet and amounts covered by enforceable netting arrangements or similar agreements that do not qualify for set off. Cash settled derivatives that trade on an exchange are deemed to be economically settled and therefore outside the scope of these disclosures.

	Group 30 Jun 21							
	Subject to enforceable master netting or similar agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
	Gross Balance Sheet amount	Amount offset [1]	Reported on the Balance Sheet	Financial instruments [2]	Financial collateral (received)/ pledged [2]	Net amount	Not subject to netting agreements	Total Balance Sheet amount
Financial instruments	$M	$M	$M	$M	$M	$M	$M	$M
Derivative assets	39,876	(20,340)	19,536	(11,517)	(4,171)	3,848	1,913	**21,449**
Securities purchased under agreements to resell	12,666	–	12,666	(2,680)	(9,970)	16	–	**12,666**
Equity securities sold not delivered	734	(242)	492	–	–	492	–	**492**
Total financial assets	53,276	(20,582)	32,694	(14,197)	(14,141)	4,356	1,913	**34,607**
Derivative liabilities	(38,075)	20,278	(17,797)	11,517	3,634	(2,646)	(689)	**(18,486)**
Securities sold under agreements to repurchase	(19,318)	–	(19,318)	2,680	16,638	–	–	**(19,318)**
Equity securities purchased not delivered	(704)	242	(462)	–	–	(462)	–	**(462)**
Total financial liabilities	(58,097)	20,520	(37,577)	14,197	20,272	(3,108)	(689)	**(38,266)**

1 The net offset balance of $62 million relates to variation margin netting reflected on other Balance Sheet lines.

2 For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result, the above collateral balances will not correspond to the tables in Note 9.6.

	Group 30 Jun 20							
	Subject to enforceable master netting or similar agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
	Gross Balance Sheet amount	Amount offset [1]	Reported on the Balance Sheet	Financial instruments [2]	Financial collateral (received)/ pledged [2]	Net amount	Not subject to netting agreements	Total Balance Sheet amount
Financial instruments	$M	$M	$M	$M	$M	$M	$M	$M
Derivative assets	55,684	(27,646)	28,038	(18,618)	(4,900)	4,520	2,247	30,285
Securities purchased under agreements to resell	16,858	–	16,858	(1,313)	(15,539)	6	–	16,858
Equity securities sold not delivered [3]	1,031	(536)	495	–	–	495	–	495
Total financial assets	73,573	(28,182)	45,391	(19,931)	(20,439)	5,021	2,247	47,638
Derivative liabilities	(57,184)	26,718	(30,466)	18,618	6,269	(5,579)	(881)	(31,347)
Securities sold under agreements to repurchase	(16,877)	–	(16,877)	1,313	15,564	–	–	(16,877)
Equity securities purchased not delivered [3]	(1,245)	536	(709)	–	–	(709)	–	(709)
Total financial liabilities	(75,306)	27,254	(48,052)	19,931	21,833	(6,288)	(881)	(48,933)

1 The net offset balance of $928 million relates to variation margin netting reflected on other Balance Sheet lines.

2 For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 9.6.

3 Includes $105 million of receivables and $172 million of payables of AUSIEX presented within assets and liabilities held for sale as at 30 June 2020.

Notes to the financial statements

For the year ended 30 June 2021

9.7 Offsetting financial assets and financial liabilities (continued)

	Bank 30 Jun 21							
	Subject to enforceable master netting or similar agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
	Gross Balance Sheet amount	Amount offset [1]	Reported on the Balance Sheet	Financial instruments [2]	Financial collateral (received)/ pledged [2]	Net amount	Not subject to netting agreements	Total Balance Sheet amount
Financial instruments	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Derivative assets	39,905	(20,340)	19,565	(12,517)	(3,846)	3,202	1,879	**21,444**
Securities purchased under agreements to resell	12,490	–	12,490	(2,680)	(9,794)	16	–	**12,490**
Total financial assets	52,395	(20,340)	32,055	(15,197)	(13,640)	3,218	1,879	**33,934**
Derivative liabilities	(41,087)	20,278	(20,809)	12,517	3,704	(4,588)	(674)	**(21,483)**
Securities sold under agreements to repurchase	(19,368)	–	(19,368)	2,680	16,688	–	–	**(19,368)**
Total financial liabilities	(60,455)	20,278	(40,177)	15,197	20,392	(4,588)	(674)	**(40,851)**

1 The net offset balance of $62 million relates to variation margin netting reflected on other Balance Sheet lines.

2 For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 9.6.

	Bank 30 Jun 20							
	Subject to enforceable master netting or similar agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
	Gross Balance Sheet amount	Amount offset [1]	Reported on the Balance Sheet	Financial instruments [2]	Financial collateral (received)/ pledged [2]	Net amount	Not subject to netting agreements	Total Balance Sheet amount
Financial instruments	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Derivative assets	54,732	(27,647)	27,085	(18,588)	(3,792)	4,705	2,237	29,322
Securities purchased under agreements to resell	16,290	–	16,290	(1,313)	(14,971)	6	–	16,290
Total financial assets	71,022	(27,647)	43,375	(19,901)	(18,763)	4,711	2,237	45,612
Derivative liabilities	(62,127)	26,718	(35,409)	18,588	6,627	(10,194)	(839)	(36,248)
Securities sold under agreements to repurchase	(17,084)	–	(17,084)	1,313	15,771	–	–	(17,084)
Total financial liabilities	(79,211)	26,718	(52,493)	19,901	22,398	(10,194)	(839)	(53,332)

1 The net offset balance of $929 million relates to variation margin netting reflected on other Balance Sheet lines.

2 For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 9.6.

OVERVIEW
HOW WE CREATE VALUE
DIRECTORS' REPORT
FINANCIAL REPORT
ADDITIONAL INFORMATION

9.7 Offsetting financial assets and financial liabilities (continued)

Related amounts not set off on the Balance Sheet

Derivative assets and liabilities

The "Financial Instruments" column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement. All outstanding transactions with the same counterparty can be offset and close-out netting applied if an event of default or other predetermined events occur. Financial collateral refers to cash and non-cash collateral obtained to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Repurchase and reverse repurchase agreements and security lending agreements

The "Financial Instruments" column identifies financial assets and liabilities that are subject to set off under netting agreements, such as global master repurchase agreements and global master securities lending agreements. Under these netting agreements, all outstanding transactions with the same counterparty can be offset and close-out netting applied if an event of default or other predetermined events occur. Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

ACCOUNTING POLICIES

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

Notes to the financial statements
For the year ended 30 June 2021

10. Employee benefits

OVERVIEW

The Group employs over 50,000 people across multiple jurisdictions and remunerates its employees through both fixed and variable arrangements. This section outlines details of the share-based payment and superannuation components of employee remuneration and provides an overview of key management personnel arrangements.

10.1 Share-based payments

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

Long Term Variable Remuneration (LTVR)

The Group's LTVR awards to the CEO, Group Executives and CEO of ASB have been made under the Employee Equity Plan (EEP) since the 2019 financial year award (2020 financial year for CEO ASB). The 2018 financial year LTVR award was made under the Group Leadership Reward Plan (GLRP). LTVR focuses efforts on longer-term performance achievement, including with a focus on relative shareholder returns to support creation of sustainable long-term shareholder value.

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

The rights granted up to the 2020 financial year award may vest at the end of a performance period of four years subject to the satisfaction of performance measures as described below.

For awards made from the 2018 to 2020 financial year to the CEO and Group Executives:

- 75% of the award is assessed against Total Shareholder Return (TSR) compared to the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.
- 12.5% of the award is assessed against a Relative Trust and Reputation measure; and
- 12.5% of the award is assessed against an Absolute Employee Engagement measure.

For the 2020 financial year award made to the CEO of ASB:

- 50% of the award is assessed against TSR compared to the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.
- 25% of the award is assessed against an ASB Relative Trust and Reputation measure; and
- 25% of the award is assessed against an ASB Absolute Employee Engagement measure.

For the 2018, 2019 and 2020 financial year awards (including the CEO ASB 2020 financial year award), a positive TSR gateway applies to the Trust and Reputation and Employee Engagement measures.

For awards made in the 2021 financial year to the CEO, Group Executives and CEO of ASB, the performance rights will be tested against the following performance measures at the end of four years and the number of performance rights will be adjusted accordingly:

- 50% of the award is assessed against TSR compared to the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of the performance period, excluding resource companies and CBA (ASX General).
- 50% of the award is assessed against TSR compared to a peer group of 8 financial services companies determined by the Board (Financial Services).

Any performance rights that remain on foot after the performance test will be subject to a further holding period in two equal tranches of two and three years for the CEO, and one and two years for other participants. Refer to the Remuneration Report for further details on LTVR.

The following table provides details of outstanding awards of Rights granted under LTVR awards.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
2021	**951,413**	**161,458**	**(129,727)**	**(83,852)**	**899,292**	**6,807**
2020	808,519	322,283	(33,009)	(146,380)	951,413	7,566

The fair value at the grant date for the ASX general TSR measure was $38.43 and $39.08 for the Financial Services measure (2020: $34.07 for TSR and $57.86 for both Trust and Reputation and Employee Engagement). The fair value of the performance rights granted during the period has been independently calculated at grant date using a Monte Carlo pricing model based on market information and excluding the impact of non-market performance conditions. The assumptions included in the valuations of the 2021 financial year awards include a share price of $74.50, a risk-free interest rate of 0.17%, a 3.92% dividend yield on the Bank's ordinary shares and a volatility in the Bank's share price of 25%.

Notes to the financial statements

For the year ended 30 June 2021

10.1 Share-based payments (continued)

Long-Term Alignment Remuneration (LTAR)

The Group's LTAR awards to the CEO, Group Executives and CEO of ASB are made under the Employee Equity Plan (EEP), with the first grant being made in the 2021 financial year.

The LTAR award is granted as restricted share units which are entitlements to fully paid ordinary CBA shares (or cash equivalent as determined by the Board) subject to vesting conditions. The share unit restriction period is:

- CEO: 50% of the CEO's LTAR award will be restricted for four years, and 50% for five years;
- Group Executives and the CEO ASB: 100% of the LTAR award will be restricted for four years.

The following table provides details of outstanding awards of restricted share units granted under LTAR awards.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
2021	**–**	**161,462**	**–**	**–**	**161,462**	**3,467**

The fair value at grant date of the LTAR awards issued during the year was $74.50.

Group Rights Plan (GRP) and Employee Equity Plan (EEP)

The GRP and EEP facilitate mandatory short-term variable remuneration deferral, sign-on and retention awards. Participants are awarded rights or restricted shares that vest provided the participant remains in employment of the Group until vesting and subject to risk and malus review. The following table provides details of outstanding awards of rights and restricted shares granted under the GRP and EEP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
2021	**1,835,620**	**876,946**	**(1,154,392)**	**(68,099)**	**1,490,075**	**58,524**
2020	2,152,467	819,276	(1,031,588)	(104,535)	1,835,620	61,332

The weighted average fair value at grant date of the awards issued during the year was $68.04 (2020: $79.62).

Employee Share Acquisition Plan (ESAP)

Under the ESAP eligible employees have the opportunity to receive up to $1,000 worth of shares each year.

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

During the financial year ended 30 June 2021 the Board approved an award of $1,000 to each eligible employee to recognise their contribution through-out the year.

The following table provides details of shares granted under the ESAP.

Period	Allocation date	Participants	Number of shares allocated per participant	Total number of shares allocated	Issue price $	Total fair value ($'000)
2021	20 Nov 2020	**32,017**	**13**	**416,221**	**75.82**	**31,558**
2020	4 Nov 2019	30,653	12	367,836	80.29	29,534

It is estimated that approximately $32 million of CBA shares will be awarded under the 2021 grant.

Other employee awards

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

- The Employee Share (Performance Unit) Plan and EEP Cash Settled Rights are cash-based equity awards;
- EEP rights for certain employees based overseas; and
- The International Employee Share Acquisition Plan which is the cash-based version of the ESAP.

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

Period	Outstanding 1 July	Granted	Vested/exercised	Forfeited	Outstanding 30 June	Expense ($'000)
2021	**342,304**	**142,985**	**(186,231)**	**(57,359)**	**241,699**	**1,246**
2020	381,424	192,643	(203,833)	(27,930)	342,304	9,449

The weighted average fair value at grant date of the awards issued during the year was $65.38 (2020: $79.62).

Notes to the financial statements
For the year ended 30 June 2021

10.1 Share-based payments (continued)

Salary sacrifice arrangements

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

Type	Arrangements
Salary sacrifice	• Australian based employees and Non-Executive Directors can elect to sacrifice between $2,000 and $5,000 p.a. of their fixed remuneration and/or annual STVR or fees (in the case of Non-Executive Directors). • Restricted from sale for a minimum of two years and a maximum of seven years or earlier, if the employee ceases employment with the Group (or retires from the Group in the case of Non-Executive Directors).
Non-Executive Directors	• Non-Executive Directors can elect to apply a percentage of after-tax fees towards the acquisition of CBA shares.

Shares are purchased on market at the prevailing market price at that time and receive full dividend entitlements and voting rights. The following table provides details of shares granted under the Employee Salary Sacrifice Share Plan and Non-Executive Director Share Plans (voluntary fee sacrifice).

Period	Participants	Number of shares purchased	Average purchase price $	Total purchase consideration ($'000)
2021	**1,272**	**60,271**	**75.16**	**4,530**
2020	1,043	44,586	81.05	3,614

During the year four (2020: four) Non-Executive Directors applied $87,561.58 in fees (2020: $123,766.70) to purchase 1,151 shares (2020: 1,633 shares).

10.2 Retirement benefit obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Commonwealth Bank Group Super	Defined benefits and accumulation[1]	Indexed pension and lump sum	30 June 2018
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA (UK) SBS)	Defined benefits and accumulation[1]	Indexed pension and lump sum	30 June 2019

1 The defined benefit formulae are generally based on final salary, or final average salary, and service.

Regulatory framework

Both plans operate under trust law with the assets of the plans held separately in trust. The plans are managed and administered on behalf of the members in accordance with the terms of each trust deed and relevant legislation. The funding of the plans complies with regulations in Australia and the UK respectively.

Funding and contributions

Commonwealth Bank Group Super

An actuarial assessment as at 30 June 2018 showed Commonwealth Bank Group Super remained in funding surplus. The Bank agreed to continue contributions of $20 million per month to the plan. This was increased to $25 million in December 2020. In the second half of the financial year ended 30 June 2020, the Bank made an additional lump sum contribution of $60 million to ensure the Fund remained in funding surplus amid financial market volatility caused by COVID-19. Employer contributions paid to the plan are subject to tax at the rate of 15% in the plan.

The Group's expected contributions to Commonwealth Bank Group Super for the year ended 30 June 2022 are $300 million.

CBA (UK) SBS

On 17 June 2021, the trustees of CBA (UK) SBS executed a GBP426.6 million bulk annuity insurance policy. The insurance policy was purchased using the existing assets of the Scheme. The transaction secured an insurance asset that fully matches the remaining pension liabilities of the Scheme, and is therefore measured at an amount that matches the scheme liabilities. The Group has no further obligation to make payments in to the Scheme but retains responsibility for the benefits provided to the Scheme members. In accordance with AASB 119 *Employee Benefits*, the impact of this transaction was to record a remeasurement loss of GBP62 million in other comprehensive income.

Notes to the financial statements
For the year ended 30 June 2021

10.2 Retirement benefit obligations (continued)

Defined benefit superannuation plan

		Commonwealth Bank Group Super		CBA (UK) SBS		Total	
		30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	Note	$M	$M	$M	$M	$M	$M
Present value of funded obligations		**(3,023)**	(2,870)	**(675)**	(677)	**(3,698)**	(3,547)
Fair value of plan assets		**3,497**	3,344	**722**	884	**4,219**	4,228
Net pension assets as at 30 June		**474**	474	**47**	207	**521**	681
Amounts in the Balance Sheet:							
Assets	6.3	**474**	474	**47**	207	**521**	681
Net assets/(liabilities)		**474**	474	**47**	207	**521**	681
The amounts recognised in the Income Statement are as follows:							
Current service cost		**(37)**	(41)	**(4)**	(3)	**(41)**	(44)
Net interest income		**11**	10	**4**	2	**15**	12
Gain on curtailment		**–**	–	**–**	7	**–**	7
Total included in superannuation plan expense		**(26)**	(31)	**–**	6	**(26)**	(25)
The amounts recognised in the Statement of Comprehensive Income are as follows:							
Return on plan assets (excluding interest income) [1]		**242**	(32)	**(187)**	112	**55**	80
Actuarial gains/(losses) from changes in assumptions		**(260)**	112	**7**	(49)	**(253)**	63
Actuarial gains/(losses) due to experience		**55**	(31)	**7**	48	**62**	17
Total included in Other comprehensive income		**37**	49	**(173)**	111	**(136)**	160
Member contributions		**5**	6	**–**	–	**5**	6
Employer contributions		**275**	300	**11**	70	**286**	370
Employer financed benefits within accumulation division [2]		**(286)**	(278)	**–**	–	**(286)**	(278)

1 The return on plan assets of $55 million includes a loss of $113 million (GBP62 million) representing the difference between the cost of the insurance policy and the accounting value of the liabilities in CBA (UK) SBS secured through the insurance transaction described above.

2 Represents superannuation contributions made by the Bank to meet its obligations to members of the defined contribution division of Commonwealth Bank Group Super.

Significant assumptions

	Commonwealth Bank Group Super		CBA (UK) SBS	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	%	%	%	%
The above calculations were based on the following assumptions:				
Discount rate	**3. 3**	3. 2	**1. 9**	1. 6
Inflation rate	**2. 1**	1. 3	**3. 4**	3. 1
Rate of increases in salary	**2. 9**	2. 1	**4. 4**	4. 1
Life expectancy of a 60 year old male (years)	**29. 0**	28. 9	**28. 4**	28. 3
Life expectancy of a 60 year old female (years)	**31. 3**	31. 2	**30. 2**	30. 1

Sensitivity to changes in assumptions

The table below sets out the sensitivities of the present value of defined benefit obligations for Commonwealth Bank Group Super to changes in the principal actuarial assumptions:

Notes to the financial statements
For the year ended 30 June 2021

10.2 Retirement benefit obligations (continued)

Impact of change in assumptions on liabilities (increase)	Commonwealth Bank Group Super 30 Jun 21 %	30 Jun 20 %
0.25% decrease in discount rate	**3. 79**	3. 59
0.25% increase in inflation rate	**3. 13**	2. 89
0.25% increase to the rate of increases in salary	**0. 40**	0. 45
Longevity increase of 1 year	**5. 17**	4. 95

CBA (UK) SBS has a low level of risk due to the insurance policy, whereby the present value of the Scheme liabilities is fully matched by the fair value of the insurance asset.

Average duration

The average duration of defined benefit obligation at 30 June is as follows:

	Commonwealth Bank Group Super 30 Jun 21 Years	CBA (UK) SBS 30 Jun 21 Years	Commonwealth Bank Group Super 30 Jun 20 Years	CBA (UK) SBS 30 Jun 20 Years
Average duration at balance date	**12. 9**	**19. 0**	12. 3	19. 0

Risk management

The pension plans expose the Group to longevity risk, currency risk, interest rate risk, inflation risk and market risk. The trustees perform Asset-Liability Matching (ALM) exercises to ensure the plan assets are well matched to the nature and maturities of the defined benefit obligations.

Inflation and interest rate risks are partly mitigated by investing in long dated fixed interest securities which better match the average duration of liabilities and entering into inflation and interest rate swaps.

The allocation of assets backing the defined benefit portion of the Commonwealth Bank Group Super is as follows:

	Commonwealth Bank Group Super			
	30 Jun 21		30 Jun 20	
Asset allocations	Fair value $M	% of plan asset	Fair value $M	% of plan asset
Cash	**115**	**3. 3**	197	5. 9
Equities – Australian [1]	**224**	**6. 4**	222	6. 7
Equities – Overseas [1]	**567**	**16. 2**	458	13. 7
Bonds – Commonwealth Government [1]	**1,224**	**35. 0**	1,167	34. 9
Bonds – Semi-Government [1]	**851**	**24. 3**	803	24. 0
Bonds – Corporate and other [1]	**59**	**1. 7**	58	1. 7
Real Estate and Infrastructure [2]	**296**	**8. 5**	310	9. 3
Derivatives	**(28)**	**(0. 8)**	(43)	(1. 3)
Other [3]	**189**	**5. 4**	172	5. 1
Total fair value of plan assets	**3,497**	**100. 0**	3,344	100. 0

1 Values based on prices or yields quoted in an active market.
2 This includes listed and unlisted property and infrastructure investments.
3 These are alternative investments which are not included in the traditional asset classes of equities, fixed interest securities, real estate and cash. They include multi-asset investments, liquid alternative investments and hedge funds.

The Australian equities fair value includes $11.6 million (30 June 2020: $10.3 million) of Commonwealth Bank shares. The real estate fair value includes $1 million (30 June 2020: $1.2 million) of property assets leased to the Bank. The bonds – corporate and other fair value includes $4.7 million (30 June 2020: $14.4 million) of Commonwealth Bank debt securities.

10.3 Key management personnel

Detailed remuneration disclosures by Key Management Personnel (KMP) are provided in the Remuneration Report of the Directors' Report on pages 84 to 110.

Key management personnel compensation	Group 30 Jun 21 $'000	Group 30 Jun 20 $'000	Bank 30 Jun 21 $'000	Bank 30 Jun 20 $'000
Short-term benefits [1]	**22,025**	22,702	**20,620**	21,339
Post-employment benefits	**424**	417	**377**	370
Long-term benefits	**518**	506	**488**	476
Share-based payments [2]	**16,230**	15,010	**15,222**	14,435
Total	**39,197**	38,635	**36,707**	36,620

1 Short-term benefits includes termination benefits of Nil (2020: $767,733).
2 The comparative period amounts have been restated to conform to the current year presentation. In prior periods, the awards were allocated over the period from grant date to vesting date.

Security holdings

Details of the aggregate security holdings of KMP are set out below.

	Equity Class [1]	Balance 1 July 20 [2]	Acquired/ Granted as remuneration	Previous years awards vested [3]	Net change other [4]	Balance 30 June 21 [5]
Non-Executive Directors	Ordinary [6]	44,954	3,299	–	(15,598)	**32,655**
	PERLS	2,620	–	–	–	**2,620**
Executives	Ordinary	198,855	–	118,631	(49,873)	**267,613**
	LTVR performance rights	646,260	132,828	(54,820)	(10,409)	**713,859**
	LTAR restricted share units	–	132,831	–	–	**132,831**
	Deferred STVR shares	57,660	76,527	(25,706)	–	**108,481**
	Deferred STVR rights	8,859	–	(6,955)	–	**1,904**
	Sign-on equity	86,200	–	(33,730)	–	**52,470**

1 LTVR performance rights are subject to performance hurdles. Deferred STVR shares/rights represent the STVR previously awarded under Executive or Executive General Manager arrangements in prior years, as well as the CEO ASB's 2018 financial year STVR award. Sign-on equity includes sign-on awards received as deferred shares. PERLS include cumulative holdings of all PERLS securities issued by the Group.
2 Due to changes in KMP (Non-Executive Directors) during the 2021 financial year, aggregate security holdings balance at 1 July 2020 does not align to the balance disclosed for 30 June 2020. Opening balance has been restated to include a correction to CBA ordinary shares.
3 LTVR performance rights, LTAR restricted share units, deferred STVR shares and deferred STVR rights become ordinary shares or are cash settled upon vesting.
4 Net change other incorporates changes resulting from purchases, sales, forfeitures and other transfers of securities, including changes to the KMP population during the year.
5 30 June 2021 balances represent aggregate shareholdings of all KMP at balance date.
6 Non-Executive Directors are required to hold CBA shares equivalent to 100% of Board Chairman fees for the Chairman and 100% of Board member fees for Non-Executive Directors. This is to be accumulated over five years commencing on the later of 1 July 2019 or the date of appointment, valued with reference to the prevailing CBA share price at the relevant accumulation commencement date.

Loans to KMP

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

Details of aggregate loans to KMP are set out below:

	30 Jun 21 $'000	30 Jun 20 $'000
Loans	**10,955**	7,942
Interest charged	**234**	308

Notes to the financial statements
For the year ended 30 June 2021

10.3 Key management personnel (continued)

Other transactions of KMP

Financial instrument transactions

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

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

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

Transactions other than financial instrument transactions of banks

All other transactions with KMP and their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group.

Services agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and other KMP at 30 June 2021 was $1,804,424 (2020: $1,756,739).

11. Group structure

OVERVIEW

The Group structure includes the Bank legal entity and its interests in operating and special purpose subsidiaries, joint ventures and associates. These entities were either acquired or established and their classification is driven by the Bank's level of control or influence.

The operating activities of these entities include banking, advice, funds management, specialised customer financing and asset backed financing across multiple jurisdictions.

11.1 Investments in subsidiaries and other entities

Subsidiaries

The key subsidiaries of the Bank are:

Entity name	Entity name
Australia	
(a) Banking	
CBA Covered Bond Trust	Medallion Trust Series 2015-2
Commonwealth Securities Limited	Medallion Trust Series 2016-1
Medallion Trust Series 2008-1R	Medallion Trust Series 2016-2
Medallion Trust Series 2011-1	Medallion Trust Series 2017-1
Medallion Trust Series 2012-1	Medallion Trust Series 2017-1P
Medallion Trust Series 2013-1	Medallion Trust Series 2017-2
Medallion Trust Series 2013-2	Medallion Trust Series 2018-1
Medallion Trust Series 2014-1	Medallion Trust Series 2018-1P
Medallion Trust Series 2014-1P	Medallion Trust Series 2019-1
Medallion Trust Series 2014-2	Residential Mortgage Group Pty Ltd
Medallion Trust Series 2015-1	
(b) Insurance and funds management	
Capital 121 Pty Limited	
Colonial Holding Company Limited	
Commonwealth Insurance Holdings Limited	
Commonwealth Insurance Limited	

All the above subsidiaries are 100% owned and incorporated in Australia.

Entity name	Extent of beneficial interest if not 100%	Incorporated in
New Zealand and other overseas		
Banking		
ASB Bank Limited		New Zealand
ASB Covered Bond Trust		New Zealand
ASB Finance Limited		New Zealand
ASB Holdings Limited		New Zealand
ASB Term Fund		New Zealand
Medallion NZ Series Trust 2009-1R		New Zealand
Commonwealth Bank of Australia (Europe) N.V.		Netherlands
PT Bank Commonwealth	99%	Indonesia

Notes to the financial statements
For the year ended 30 June 2021

11.1 Investments in subsidiaries and other entities (continued)

Critical accounting judgements and estimates

Control and voting rights

Determining whether the Group has control is generally straightforward based on ownership of the majority of the voting rights. Holding more than 50% of an entity's voting rights typically indicates that the Group has control over the entity. Significant judgement is involved where either the Group is deemed to control an entity despite holding less than 50% of the voting rights, or where the Group does not control an entity despite holding more than 50% of the voting rights.

Agent or principal

The Group is deemed to have power over an investment fund when it holds either the responsible entity (RE) and/or the manager function of that fund. Whether that power translates to control depends on whether the Group is deemed to act as an agent or a principal of that fund. Management have determined that the Group acts as a principal and controls a fund when it cannot be easily removed as a manager or RE by investors and when its economic interest in that fund is substantial compared to the economic interest of other investors. In all other cases the Group acts as agent and does not control the fund.

Significant restrictions

On 2 April 2020, RBNZ announced a freeze on the distribution of dividends by banks in New Zealand due to COVID-19. On 31 March 2021, RBNZ removed the freeze and allowed the banks to distribute up to 50% of their earnings as dividends. As a result there is currently a restriction on payment of dividends by ASB Bank Limited, the Group's New Zealand subsidiary.

There were no other significant restrictions on the ability to transfer cash or other assets, pay dividends or other capital distributions, provide or repay loans and advances between the entities within the Group. There were also no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group resulting from protective rights of non-controlling interests.

Associates and joint ventures

There were no individually significant investments in associates or joint ventures held by the Group as at 30 June 2021 and 30 June 2020. In addition, there were no significant restrictions on the ability of associates or joint ventures to transfer funds to the Bank or its subsidiaries in the form of cash dividends or to repay loans or advances made.

The Group's investments in associates and joint ventures are shown in the table below.

	Group						
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 21 Ownership interest %	30 Jun 20 Ownership interest %	Principal activities	Country of incorporation	Balance date
Bank of Hangzhou Co., Ltd	**2,171**	1,812	**16**	16	Commercial banking	China	31-Dec
Qilu Bank Co., Ltd	**817**	760	**16**	18	Commercial banking	China	31-Dec
Lendi Group Pty Ltd [1]	**393**	–	**42**	-	Mortgage broking	Australia	30-Jun
Vietnam International Commercial Joint Stock Bank (VIB)	**333**	294	**20**	20	Commercial banking	Vietnam	31-Dec
Other	**227**	168	**Various**	Various	Various	Various	Various
Carrying amount of investments in associates and joint ventures	**3,941**	3,034					

	Group	
Share of associates' and joint ventures profits	30 Jun 21 $M	30 Jun 20 $M
Operating profits before income tax	**436**	437
Income tax expense	**(60)**	(55)
Operating profits after income tax [2]	**376**	382

1 On 16 December 2020, the Group entered into an agreement to merge Aussie Home Loans with Lendi, an online home loan platform. Upon completion, the Group retained a 44% shareholding in the combined business. Subsequently, on 7 May 2021, the Group sold a portion of its investment, at no gain or loss, reducing its shareholding to 42%.

2 This amount is recognised net of impairment in the share of profits of associates and joint ventures within Other banking income.

Notes to the financial statements

For the year ended 30 June 2021

11.1 Investments in subsidiaries and other entities (continued)

Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated structured entities

The Group has the following contractual arrangements which require it to provide financial support to its structured entities.

Securitisation structured entities

The Group provides liquidity facilities to Medallion and Medallion NZ structured entities. The liquidity facilities can only be drawn to cover cash flow shortages relating to mismatches in timing of cash inflows due from securitised asset pools and cash outflows due to note holders. These 'timing mismatch' facilities rank pari passu with other senior secured creditors. The facilities limit is $1,494 million (2020: $1,647 million). This includes $1,255 million (30 June 2020: $1,350 million) in relation to the structured entity where the Bank holds all of the issued instruments.

The Group has no contractual obligations to purchase assets from its securitisation structured entities.

Covered bonds trust

The Group provides funding and support facilities to CBA Covered Bond Trust and ASB Covered Bond Trust (the 'Trusts'). The Trusts are bankruptcy remote SPVs that guarantee any debt obligations owing under the US$30 billion CBA Covered Bond Programme and the EUR7 billion ASB Covered Bond Programme, respectively. The funding facilities allow the Trusts to hold sufficient residential mortgage loans to support the guarantees provided to the Covered Bonds. The Group also provides various swaps to the Trusts to hedge any interest rate and currency mismatches. The Group, either directly or via its wholly owned subsidiaries, Securitisation Advisory Services Pty Limited and Securitisation Management Services Limited, provides various services to the Trusts including servicing and monitoring of the residential mortgages.

Structured asset finance structured entities

The Group has no contractual obligation to provide financial support to any of its structured asset finance structured entities.

During the year ended 30 June 2021, the Bank entered into a debt forgiveness arrangement with two wholly owned structured entities for a total of $85 million (2020: $4 million). The financial impact of the debt forgiveness was fully eliminated on consolidation.

Unconsolidated structured entities

The Group has exposure to various securitisation vehicles via Residential Mortgage-backed Securities (RMBS) and Asset-backed Securities (ABS). The Group may also provide derivatives and other commitments to these vehicles. The Group also has exposure to investment funds and other financing vehicles.

Securitisations

Securitisations involve transferring assets into an entity that sells beneficial interests to investors through the issue of debt and equity notes with varying levels of subordination. The notes are collateralised by the assets transferred to these vehicles and pay a return based on the returns of those assets, with residual returns paid to the most subordinated investor.

The Group may trade or invest in RMBS and ABS, which are backed by Commercial Properties, Consumer Receivables, Equipment and Auto Finance. The Group may also provide lending, derivatives, liquidity and commitments to these securitisation entities.

Other financing

Asset-backed entities are used to provide tailored lending for the purchase or lease of assets transferred by the Group or its clients. The assets are normally pledged as collateral to the lenders. The Group engages in raising finance for assets such as aircraft, trains, vessels and other infrastructure. The Group may also provide lending, derivatives, liquidity and commitments to these entities.

Investment funds

The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian, advisor or manager for investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts. The Group's exposure to investment funds includes holding units in the investment funds and trusts, providing lending facilities, derivatives and receiving fees for services.

The nature and extent of the Group's interests in these entities are summarised below. Interests do not include derivatives and other positions where the Group creates rather than absorbs variability of the structured entity, for example deposits the funds place with the Group. These have been excluded from the tables on pages 259-260.

Notes to the financial statements

For the year ended 30 June 2021

11.1 Investments in subsidiaries and other entities (continued)

	30 Jun 21				
Exposures to unconsolidated structured entities	RMBS $M	ABS $M	Other financing $M	Investment funds $M	Total $M
Investment securities	4,918	121	–	–	**5,039**
Loans, bills discounted and other receivables	4,375	2,350	3,322	7,998	**18,045**
Assets held for sale	–	–	–	414	**414**
Total on Balance Sheet exposures	**9,293**	**2,471**	**3,322**	**8,412**	**23,498**
Total notional amounts of off Balance Sheet exposures [1]	4,027	946	422	4,621	**10,016**
Total maximum exposure to loss	**13,320**	**3,417**	**3,744**	**13,033**	**33,514**
Total assets of the entities [2]	**50,581**	**11,846**	**12,046**	**184,859**	**259,332**

1 Relates to undrawn facilities.
2 Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of $9,990 million.

	30 Jun 20				
Exposures to unconsolidated structured entities	RMBS $M	ABS $M	Other financing $M	Investment funds $M	Total $M
Investment securities	5,752	287	–	–	**6,039**
Loans, bills discounted and other receivables	5,346	1,494	4,857	6,082	**17,779**
Assets held for sale	–	–	–	354	**354**
Total on Balance Sheet exposures	**11,098**	**1,781**	**4,857**	**6,436**	**24,172**
Total notional amounts of off Balance Sheet exposures [1]	1,721	1,331	490	6,191	**9,733**
Total maximum exposure to loss	**12,819**	**3,112**	**5,347**	**12,627**	**33,905**
Total assets of the entities [2]	**56,406**	**8,585**	**15,660**	**161,658**	**242,309**

1 Relates to undrawn facilities.
2 Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of $10,414 million.

The Group's exposure to loss depends on the level of subordination of the interest, which indicates the extent to which other parties are obliged to absorb credit losses before the Group. An overview of the Group's interests, relative ranking and external credit rating, for vehicles that have credit subordination in place, is summarised in the table below, and includes securitisation vehicles and other financing.

	30 Jun 21			
Ranking and credit rating of exposures to unconsolidated structured entities	RMBS $M	ABS $M	Other financing $M	Total $M
Senior [1]	13,216	3,407	3,744	**20,367**
Mezzanine [2]	104	10	–	**114**
Total maximum exposure to loss	13,320	3,417	3,744	**20,481**

1 All ABS and RMBS exposures and $2,094 million of other financing exposures are rated investment grade. $1,650 million of other financing exposures are sub-investment grade.
2 All RMBS exposures are rated investment grade.

Notes to the financial statements

For the year ended 30 June 2021

11.1 Investments in subsidiaries and other entities (continued)

	30 Jun 20			
Ranking and credit rating of exposures to unconsolidated structured entities	**RMBS $M**	**ABS $M**	**Other financing $M**	**Total $M**
Senior [1]	12,720	3,112	5,347	**21,179**
Mezzanine [2]	99	–	–	**99**
Total maximum exposure to loss	12,819	3,112	5,347	**21,278**

1 All ABS and RMBS exposures and $2,911 million of other financing exposures are rated investment grade. $2,436 million of other financing exposures are sub-investment grade.

2 All RMBS exposures are rated investment grade.

Sponsored unconsolidated structured entities

For the purposes of this disclosure, the Group sponsors an entity when it manages or advises the entity's program, places securities into the market on behalf of the entity, provides liquidity and/or credit enhancements to the entity, or the Group's name appears in the Structured Entity.

As at 30 June 2021, the Group has not sponsored any unconsolidated structured entities.

ACCOUNTING POLICIES

Subsidiaries

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

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

Consolidation of structured entities

The Group exercises judgement at inception and periodically thereafter, to assess whether that structured entity should be consolidated based on the Bank's power over the relevant activities of the entity and the significance of its exposure to variable returns of the structured entity. Such assessments are predominately required for the Group's securitisation program, structured transactions and involvement with investment funds.

Transactions between subsidiaries in the Group are eliminated. Non-controlling interests and the related share of profits in subsidiaries are shown separately in the consolidated Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, and Balance Sheet. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated when control ceases. Subsidiaries are accounted for at cost less accumulated impairments at the Bank level.

Business combinations

Business combinations are accounted for using the acquisition method. At the acquisition date, the cost of the business is the fair value of the purchase consideration, measured as the aggregate of the fair values of assets transferred, equity instruments issued, or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. Goodwill represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of assets acquired and liabilities and contingent liabilities assumed on the date of acquisition. If there is a deficit instead, this discount on acquisition is recognised directly in the consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Investments in associates and joint ventures

Associates and joint ventures are entities over which the Group has significant influence or joint control, but not control. In the consolidated financial report, they are equity accounted. They are initially recorded at cost and adjusted for the Group's share of the associates' and joint ventures' post-acquisition profits or losses and Other Comprehensive Income (OCI), less any dividends received. At the Bank level, they are accounted for at cost less accumulated impairments.

The Group assesses, at each Balance Sheet date, whether there is any objective evidence of impairment. If there is an indication that an investment may be impaired, then the entire carrying amount of the investment in associate or joint venture is tested for impairment by comparing the recoverable amount (higher of value in use and fair value less disposal costs) with the carrying amount. Impairment losses recognised in the Income Statement are subsequently reversed through the Income Statement if there has been a change in the estimates used to determine recoverable amount since the impairment loss was recognised.

Notes to the financial statements
For the year ended 30 June 2021

11.2 Related party disclosures

Banking transactions are entered into with related parties in the normal course of business on an arm's length basis. These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. Details of amounts paid or received from related parties, in the form of interest or dividends, are set out in Notes 2.1 and 2.3.

The Bank's aggregate investments in, and loans to controlled entities are disclosed in the table below. Amounts due to controlled entities are disclosed in the Balance Sheet of the Bank.

	Bank	
	30 Jun 21	30 Jun 20
	$M	$M
Shares in controlled entities	**7,697**	9,212
Loans to controlled entities at amortised cost	**49,523**	56,485
Loans to controlled entities at fair value through Income Statement	**882**	1,095
Total shares in and loans to controlled entities	**58,102**	66,792

As at 30 June 2021, loans to controlled entities at amortised cost in the table above are presented net of $1 million provisions for impairment (30 June 2020: $1 million).

During the year ended 30 June 2020, the Group received fees on an arm's length basis of $5 million from funds that were included in assets held for sale.

As at 30 June 2020, the Bank provided a guarantee of $175 million to the Group's controlled entities that held an Australian Financial Services or Australian Credit licence in respect of certain compensation claims. During the year ended 30 June 2021, this guarantee was terminated and replaced with a professional indemnity insurance policy issued by one of the Bank's subsidiaries to the Group's controlled entities holding an Australian Financial Services or Australian Credit licence. The total amount insured under this policy as at 30 June 2021 was up to $174 million.

As at 30 June 2021, the Bank had reimbursement arrangements in place totalling $621 million (30 June 2020: $488 million), with its subsidiaries, Avanteos Investments Limited, Financial Wisdom Limited and Commonwealth Financial Planning Limited (for the Pathways business (CFP-Pathways)), to cover potential remediation of ongoing service failures to customers, deceased estates, and inappropriate advice and other matters. This amount includes $597 million for Aligned Advice remediation and $24 million for other wealth remediation programs (30 June 2020: $464 million for Aligned Advice remediation and $24 million for other wealth remediation programs). The Group and the Bank have provided for these costs. As at 30 June 2021, the Bank also had an Indemnity Deed with Count Financial and CountPlus with a $300 million limit, to cover potential remediation of ongoing service failures to customers, deceased estates, inappropriate advice and other matters.

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The details of these agreements are set out in Note 2.5. The amount receivable by the Bank under the tax funding agreement with the tax consolidated entities is $200 million as at 30 June 2021 (30 June 2020: $209 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

All transactions between Group entities are eliminated on consolidation.

ACCOUNTING POLICIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or a separate party controls both. The definition includes subsidiaries, associates, joint ventures, pension plans as well as other persons.

11.3 Discontinued operations and businesses held for sale

The Group continues to deliver on its strategic priority to create simpler, better foundations through divestments of wealth management and other non-core businesses. A summary of divestments completed during the years ended 30 June 2021, 30 June 2020, and 30 June 2019, as well as ongoing divestments is provided below.

Completed transactions

TymeDigital SA

On 1 November 2018, the Group completed the sale of Commonwealth Bank of South Africa (Holding Company) Limited (TymeDigital SA) to the minority shareholder, African Rainbow Capital, resulting in a total post-tax loss of $113 million.

Colonial First State Global Asset Management

On 31 October 2018, the Group announced the sale of Colonial First State Global Asset Management (CFSGAM) to Mitsubishi UFJ Trust and Banking Corporation (MUTB). The sale of CFSGAM completed on 2 August 2019, resulting in a total post tax gain of $1,617 million (net of transaction and separation costs). This includes a $1,688 million post-tax gain net of transaction and separation costs recognised during the half year ended 31 December 2019, and $71 million post-tax transaction and separation costs recognised during the year ended 30 June 2019.

Count Financial

On 13 June 2019, the Group announced the sale of its 100% interest in Count Financial Limited (Count Financial) to CountPlus Limited (CountPlus) for $2.5 million. The sale completed on 1 October 2019, resulting in a post-tax gain of $19 million (net of transaction and separation costs). This includes a post-tax gain of $52 million (net of transaction and separation costs) recognised during the half year ended 31 December 2019, and post-tax impairment losses of $26 million and post-tax transaction and separation costs of $7 million recognised during the half year ended 30 June 2019. Upon completion, the Group provided an indemnity to CountPlus capped at $200 million, which was increased to $300 million on 29 July 2020. Refer to Note 7.1 for further information. As Count Financial did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

PT Commonwealth Life

On 23 October 2018, the Group announced the sale of its 80% interest in its Indonesian life insurance business, PT Commonwealth Life (PTCL), to FWD Group (FWD). The sale of PTCL completed on 4 June 2020, resulting in a total post-tax gain of $109 million (net of transaction costs). As part of the sale, CBA's Indonesian banking subsidiary, PT Bank Commonwealth (PTBC), has entered into a 15 year life insurance distribution partnership with FWD.

Aligned Advice

On 7 August 2019, CBA confirmed it would commence the assisted closure of Financial Wisdom Limited (Financial Wisdom) and allow Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) advisers to transition to a self-licensing arrangement or move to another licensee. The Group ceased providing licensee services through CFP-Pathways in March 2020 and through Financial Wisdom in June 2020. As Financial Wisdom and CFP-Pathways did not constitute a major line of the Group's business, they were not classified as discontinued operations.

BoCommLife

On 23 May 2018, the Group announced the sale of its 37.5% equity interest in BoCommLife Insurance Company Limited (BoCommLife) to MS&AD Insurance Group Holdings (MS&AD), the ultimate parent company of Mitsui Sumitomo Insurance Co..

The sale of BoCommLife completed on 10 December 2020, resulting in a post-tax gain of $369 million (net of transaction costs) recognised during the half year ended 31 December 2020.

Life insurance business in Australia

On 21 September 2017, the Group entered into an agreement to sell 100% of its life insurance businesses in Australia (CommInsure Life) to AIA Group Limited (AIA).

On 1 November 2019, the Group announced the implementation of a joint cooperation agreement (JCA) which resulted in the full economic interests associated with CommInsure Life being transferred to AIA and AIA obtaining direct management and control of the business (excluding in relation to the Group's 37.5% equity interest in BoCommLife). As a result, CommInsure Life (excluding BoCommLife) was deconsolidated and derecognised on 1 November 2019.

The Group recognised a total post-tax loss of $316 million on the deconsolidation of CommInsure Life. This includes a $116 million post-tax loss on deconsolidation, net of transaction and separation costs recognised during the half year ended 31 December 2019. Post-tax transaction and separation costs of $82 million and $118 million were recognised during the years ended 30 June 2019 and 30 June 2018, respectively.

The sale was completed via a statutory asset transfer on 1 April 2021, and all proceeds have been received.

Australian Investment Exchange

On 28 April 2020, the Group announced the sale of its subsidiary, Australian Investment Exchange Limited (AUSIEX), to Nomura Research Institute (NRI). AUSIEX trades under the brand name CommSec Advisor Services. The sale completed on 3 May 2021, resulting in a post-tax gain of $49 million (net of transaction and separation costs). This includes $23 million of transaction and separation costs recognised during the year ended 30 June 2020. As AUSIEX did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

Notes to the financial statements
For the year ended 30 June 2021

11.3 Discontinued operations and businesses held for sale (continued)

Aussie Home Loans

On 16 December 2020, the Group entered into an agreement to merge Aussie Home Loans with Lendi, an online home loan platform. The sale completed on 3 May 2021, resulting in a post-tax gain of $253 million (net of transaction and separation costs). Upon completion, the Group retained a 44% shareholding in the combined business. Subsequently, on 7 May 2021, the Group sold a portion of its investment, reducing its shareholding to 42%. As Aussie Home Loans did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

Ongoing transactions

Colonial First State

On 13 May 2020, the Group entered into an agreement to sell a 55% interest in Colonial First State (CFS) to KKR. On completion, the Group is expected to receive proceeds of approximately $1.7 billion, subject to completion adjustments. The sale is subject to Australian regulatory approvals and is expected to complete in the second half of calendar year 2021.

CommInsure General Insurance

On 21 June 2021, the Group announced the sale of CommInsure General Insurance to Hollard Insurance Company Pty Ltd (Hollard). As part of the sale, the Group established an exclusive 15-year strategic alliance with Hollard for the distribution of home and motor vehicle insurance products. On completion, the Group is expected to receive proceeds of approximately $625 million, subject to completion adjustments, together with deferred business milestone payments and additional investment from Hollard throughout the 15-year strategic alliance. The sale is subject to Australian regulatory approvals and other conditions, and is expected to complete in mid-calendar year 2022. As CommInsure General Insurance did not constitute a major line of the Group's business, it was not classified as a discontinued operation, and it did not meet the held for sale classification criteria as at 30 June 2021.

Financial impact of discontinued operations on the Group

The performance and net cash flows of the Group's interests in CFS and BoCommLife are set out in the tables below. Comparative periods also include the performance and net cash flows of CommInsure Life, CFSGAM and PTCL.

	Full year ended [1, 2]		
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M
Net interest income	**–**	6	6
Other banking income	**57**	41	20
Net banking operating income	**57**	47	26
Funds management income	**724**	999	2,056
Investment revenue	**–**	141	391
Claims, policyholder liability and commission expense	**(19)**	(265)	(670)
Net funds management operating income	**705**	875	1,777
Premiums from insurance contracts	**–**	459	1,256
Investment revenue	**–**	81	539
Claims, policyholder liability and commission expense from insurance contracts	**–**	(451)	(1,503)
Net insurance operating income	**–**	89	292
Total net operating income before operating expenses	**762**	1,011	2,095
Operating expenses	**(551)**	(733)	(1,323)
Net profit before income tax	**211**	278	772
Income tax expense	**(63)**	(79)	(182)
Policyholder tax	**–**	(14)	(50)
Net profit after income tax and before transaction and separation costs	**148**	185	540
Gains/(losses) on disposals of businesses net of transaction and separation costs [3]	**1,190**	2,022	(9)
Non-controlling interests	**–**	(3)	(7)
Net profit after income tax from discontinued operations attributable to equity holders of the Bank	**1,338**	2,204	524

1 Comparative information has been restated. For details refer to Note 1.1.
2 The year ended 30 June 2020 includes the performance of PTCL until 4 June 2020, the performance of CommInsure Life until 1 November 2019, and the performance of CFSGAM until 2 August 2019.
3 Includes post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency transaction reserve recycling), and transaction and separation costs associated with previously announced divestments.

Notes to the financial statements

For the year ended 30 June 2021

11.3 Discontinued operations and businesses held for sale (continued)

Earnings per share for profit from discontinued operations attributable to equity holders of the bank:

	Full year ended [1]		
	30 Jun 21	30 Jun 20	30 Jun 19
	Cents per Share		
Earnings per share from discontinued operations:			
Basic	**75. 6**	124. 6	29. 7
Diluted	**69. 1**	116. 2	27. 6

1 Comparative information has been restated to reflect the change in accounting policy and the prior period restatement detailed in Note 1.1. As a result, basic and diluted earnings per share from discontinued operations for the year ended 30 June 2020 increased by 1.6 cents and 1.5 cents, respectively (30 June 2019: an increase in basic and diluted earnings per share of 2.4 cents and 2.2 cents, respectively).

Cash flow statement

	Full year ended [1, 2]		
	30 Jun 21	30 Jun 20	30 Jun 19
	$M	$M	$M
Net cash used in operating activities	**132**	(553)	(224)
Net cash from investing activities	**(39)**	942	841
Net cash used in financing activities	**(5)**	(236)	(519)
Net cash inflows/(outflows) from discontinued operations	**88**	153	98

1 Represents cash flows from the underlying businesses classified as discontinued operations and excludes proceeds from disposals.
2 The year ended 30 June 2020 includes cash flows for PTCL until 4 June 2020, cash flows of CommInsure Life until 1 November 2019, and cash flows of CFSGAM until 2 August 2019.

Balance Sheet

The Balance Sheet of CFS is set out in the table below. Comparative period includes assets and liabilities of CFS, AUSIEX and the Group's interest in BoCommLife. AUSIEX met the held for sale criteria as at 30 June 2020 but was not reclassified as a discontinued operation.

	As at [1]	
	30 Jun 21	30 Jun 20
Assets held for sale	$M	$M
Cash and liquid assets	**5**	44
Assets at fair value through Income Statement	**301**	260
Intangible assets	**700**	705
Investment in associates and joint ventures	**–**	403
Deferred tax assets	**69**	41
Other assets	**124**	314
Total assets [2]	**1,199**	1,767
Liabilities held for sale		
Other liabilities	**405**	594
Total liabilities	**405**	594

1 Comparative information has been restated to conform to presentation in the current year.
2 In addition to assets of businesses held for sale, the Group's total assets held for sale include $2 million of properties held for sale (30 June 2020: $3 million).

As at 30 June 2021, the Group did not hold Foreign currency translation reserve (30 June 2020: $2 million gain) or Investment securities revaluation reserve (30 June 2020: $35 million loss) in relation to discontinued operations.

Notes to the financial statements

For the year ended 30 June 2021

12. Other

OVERVIEW

This section includes other information required to provide a more complete view of our business. It includes customer related commitments and contingencies that arise in the ordinary course of business. In addition, it covers the impact of adopting new accounting standards, notes to the Statement of Cash Flows, remuneration of auditors, and details of events that have taken place subsequent to the Balance Sheet date.

12.1 Contingent liabilities, contingent assets and commitments arising from the banking business

Details of contingent liabilities and off Balance Sheet instruments are presented below and in Note 7.1, in relation to litigation, investigations and reviews. The face value represents the maximum amount that could be lost if the counterparty fails to meet its financial obligations. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty. The credit commitments shown in the table below also constitute contingent assets. These commitments would be classified as loans and other assets in the Balance Sheet should they be drawn upon by the customer.

	Group [1]			
	Face value		Credit equivalent	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
Credit risk related instruments	**$M**	**$M**	**$M**	**$M**
Financial guarantees	**5,909**	6,720	**3,982**	5,244
Performance related contingencies	**5,401**	5,071	**2,700**	2,535
Commitments to provide credit	**187,572**	168,537	**176,397**	159,761
Other commitments	**1,639**	2,015	**1,631**	2,005
Total credit risk related instruments	**200,521**	182,343	**184,710**	169,545

	Bank [1]			
	Face value		Credit equivalent	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
Credit risk related instruments	**$M**	**$M**	**$M**	**$M**
Financial guarantees	**5,343**	6,188	**3,420**	4,714
Performance related contingencies	**5,401**	5,071	**2,700**	2,535
Commitments to provide credit	**170,014**	152,725	**160,519**	145,247
Other commitments	**1,555**	1,940	**1,546**	1,929
Total credit risk related instruments	**182,313**	165,924	**168,185**	154,425

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

ACCOUNTING POLICIES

The types of instruments included in this category are:

- **Financial guarantees** are unconditional undertakings given to support the obligations of a customer to third parties. They include documentary letters of credit which are undertakings by the Group to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer. Financial guarantees are recognised within other liabilities and are initially measured at their fair value, equal to the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement and the expected credit losses. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognised in the Income Statement in other operating income on a straight-line basis over the life of the guarantee.
- **Performance related contingencies** are undertakings that oblige the Group to pay third parties should a customer fail to fulfil a contractual non-monetary obligation. Performance related contingencies are performance guarantees and do not meet the definition of a financial guarantee. Performance guarantees are recognised when it is probable that an obligation has arisen. The amount of any provision is the best estimate of the amount required to fulfil the obligation.
- **Commitments to provide credit** include obligations on the part of the Group to provide credit facilities against which clients can borrow money under defined terms and conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Group subject to notice conditions. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Loan commitments must be measured with reference to expected credit losses required to be recognised. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the Group together with the drawn component as a single credit exposure. The exposure at default on the entire facility is used to calculate the cumulative expected credit losses.
- **Other commitments** to provide credit include commitments with certain drawdowns, standby letters of credit and bill endorsements. The details of the Group's accounting policies and critical judgements and estimates involved in calculating impairment provisions are provided in Note 3.2.

Notes to the financial statements
For the year ended 30 June 2021

12.2 Notes for the Statements of Cash Flows

(a) Reconciliation of net profit after income tax to net cash provided by operating activities

	Group [1]			Bank [1]	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 21 $M	30 Jun 20 $M
Net profit after income tax [2]	**10,181**	9,595	8,585	**7,909**	10,134
Decrease/(increase) in interest receivable	**213**	523	(36)	**253**	548
Decrease in interest payable	**(591)**	(984)	(69)	**(329)**	(872)
Net (gain)/loss on sale of controlled entities and associates	**(840)**	(2,092)	61	**(48)**	(24)
Net loss/(gain) on sale of property, plant and equipment	**4**	(32)	9	**4**	(11)
Equity accounting profit	**(580)**	(142)	(231)	**2**	(49)
Loan impairment expense	**554**	2,518	1,201	**525**	2,155
Depreciation and amortisation (including asset write downs)	**1,426**	1,861	1,011	**1,244**	1,748
Increase/(decrease) in other provisions	**145**	529	790	**(109)**	366
(Decrease)/increase in income taxes payable	**(755)**	679	(1,082)	**(368)**	202
Increase/(decrease) in deferred tax liabilities	**307**	374	(457)	**(29)**	30
(Increase)/decrease in deferred tax assets	**(70)**	(298)	65	**235**	(413)
(Increase)/decrease in accrued fees/reimbursements receivable	**(118)**	276	(111)	**11**	42
Increase/(decrease) in accrued fees and other items payable	**445**	(711)	(340)	**314**	(254)
Decrease in life insurance contract policy liabilities	**–**	(905)	(787)	**–**	–
Cash flow hedge ineffectiveness	**1**	9	(4)	**4**	11
Fair value hedge ineffectiveness	**(40)**	5	(9)	**(36)**	82
Dividend received – controlled entities and associates	**–**	–	–	**(1,251)**	(4,809)
Changes in operating assets and liabilities arising from cash flow movements	**31,171**	26,809	9,185	**31,175**	23,048
Other	**(141)**	(707)	305	**(261)**	(396)
Net cash provided by operating activities	**41,312**	37,307	18,086	**39,245**	31,538

1 Comparative information has been restated to conform to presentation in the current year and to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.
2 Includes non-controlling interest.

(b) Reconciliation of cash

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

	Group			Bank	
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 21 $M	30 Jun 20 $M
Notes, coins and cash at banks	**87,338**	27,350	16,930	**84,256**	24,195
Other short-term liquid assets	**42**	1	80	**13**	(185)
Cash and cash equivalents at end of year	**87,380**	27,351	17,010	**84,269**	24,010

(c) Non-cash financing and investing activities

	Group		
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M
Shares issued under the Dividend Reinvestment Plan	**264**	–	748

(d) Disposal of controlled entities

	Group		
	30 Jun 21 $M	30 Jun 20 $M	30 Jun 19 $M
Net assets	**224**	3,686	1,128
Cash consideration received	**124**	5,946	1,304
Cash and cash equivalents held in disposed entities	**96**	935	45

Notes to the financial statements
For the year ended 30 June 2021

12.3 Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group and the Bank, and its network firms:

	Group		Bank	
	30 Jun 21	30 Jun 20	30 Jun 21	30 Jun 20
	$'000	$'000	$'000	$'000
Audit and review services				
Audit and review of financial statements – Group	**22,579**	20,499	**22,500**	20,454
Audit and review of financial statements – controlled entities	**6,069**	4,182	**857**	2,029
Total remuneration for audit and review services	**28,648**	24,681	**23,357**	22,483
Other statutory assurance services	**3,275**	3,323	**3,133**	3,138
Other assurance services	**6,327**	6,530	**4,659**	4,924
Total remuneration for assurance services	**9,602**	9,853	**7,792**	8,062
Total remuneration for audit, review and assurance services	**38,250**	34,534	**31,149**	30,545
Other non-audit services				
Taxation advice and tax compliance services	**145**	424	**24**	167
Other services	**1,163**	5,351	**1,069**	5,103
Total remuneration for other non-audit services	**1,308**	5,775	**1,093**	5,270
Total remuneration for audit, review, assurance and other services [1]	**39,558**	40,309	**32,242**	35,815

1 An additional amount of $7,501,643 (2020: $8,132,121) was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the financial statements. Of this amount, $6,473,561 (2020: $7,067,650) relates to audit, review and assurance services.

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence. All such services were approved by the Audit Committee in accordance with pre-approved policies and procedures.

Other statutory assurance services relate to engagements required under prudential standards and other legislative or regulatory requirements. Other assurance services principally include assurance and attestation relating to sustainability reporting and comfort letters over financing programmes as well as reviews of internal control systems.

Taxation services include assistance with tax software configuration as well as advice regarding tax returns and submissions, and Australia/foreign tax legislation.

Other services include benchmarking and process reviews on the Bank's enterprise-wide risk assessment process, and its remediation project governance and methodology. Other services in the prior year also included reviews on the Bank's response to findings from the Royal Commission and IT security.

Notes to the financial statements
For the year ended 30 June 2021

12.4 Future accounting developments

Adoption of new accounting standards and future accounting developments

Interest rate benchmark reform

Background

Interbank Offered Rates (IBORs), such as the London Interbank Offered Rate (LIBOR), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments. The Financial Stability Board's (FSB) Official Sector Steering Group (OSSG) coordinates international efforts on benchmark reform and the transition from LIBOR. In March 2021, the UK Financial Conduct Authority (FCA) announced the date on which LIBOR will cease, after which representative LIBOR rates will no longer be available. The cessation date for all tenors of GBP, CHF, EUR and JPY LIBOR and the one week and two-month tenors for USD LIBOR is 31 December 2021. The cessation date for the remaining USD LIBOR tenors is 30 June 2023. Market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates (RFRs), which are gradually being adopted.

The Group is exposed to LIBORs through various financial instruments including loans, investment and trading securities, derivatives, debt issues, deposits and other public borrowings. Existing LIBOR-referencing contracts that mature beyond their respective LIBOR cessation dates are generally expected to be amended to reference an alternative RFR. Industry working groups have worked with authorities and consulted with market participants to develop market practices that may facilitate the transition of LIBOR-referencing contracts to RFRs. In addition, contractual clauses have been developed that 'trigger' a transition from LIBOR to the respective RFR when LIBOR ceases or becomes unrepresentative. Amongst the issues considered in contractual transition are the fundamental differences between LIBORs and RFRs. RFRs are overnight rates, while LIBORs are available in multiple tenors. Additionally, LIBORs incorporate a bank credit risk premium while RFRs do not. As a result of these differences, both term and spread adjustments to the applicable fall-back RFRs are required to ensure that contracts referencing LIBOR will transition on an economically equivalent basis.

Accounting amendments and the impact on financial reporting

In response to the uncertainty with regards to the long-term viability of interest rate benchmark rates, and LIBOR in particular, the IASB announced in 2018 that it would establish a project to consider the financial reporting implications of the reform. The transition from LIBOR is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, loan modifications, and fair value methodologies and disclosures.

AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*, which amended hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interest rate benchmark reform. The amendments addressed the accounting effects of uncertainty in the period leading up to the reform. The Group early adopted the amendments for the year ended 30 June 2020.

AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* was issued by the AASB in September 2020. The amendments apply only to those changes to financial instruments and hedging relationships, that are a direct consequence of IBOR reform and where cash flows are amended on an economically equivalent basis. The key amendments include the following:

- A practical expedient for changes in contractual cash flows required by the reform - an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- Hedge accounting - an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets all the other hedge accounting criteria; and
- Additional disclosures - an entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The amendments apply to the Group with effect from 1 July 2021. Note 5.4 provides further information about hedging relationships that are impacted by IBOR reform.

IBOR reform program

In October 2018, the Group formed the Interest Rate Benchmark Reform Program (the Program). The Program includes a formal governance structure to ensure clear accountability for all decisions, and incorporates the requisite risk, treasury, finance, legal, business, and support functions. The Program will ensure that customer outcomes are appropriate and will seek to minimise any disruption to business, and mitigate operational and conduct risks. The Group expects that transition will require the implementation of changes to systems, processes, and valuation models, as well as the management of tax and accounting outcomes. The Group will continue to monitor the impact on its capital position but expects the impact to be limited.

Future accounting developments

AASB 112 *Income Taxes* has been amended to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. The amendments clarify that the exemption from recognising deferred tax when recognising assets or liabilities for the first time does not apply to transactions for which an entity recognises both an asset and a liability and that give rise to equal taxable and deductible temporary differences. An entity is required to recognise deferred tax on such transactions. The amendments are effective for the Group from 1 July 2023 and are not expected to have a significant impact on the Group.

AASB 101 *Presentation of financial statements* has been amended to clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period, and such right has substance. The amendments also clarify that settlement of a liability refers to a transfer to the counterparty that results in the extinguishment of the liability. The amendments are effective for the Group from 1 July 2023 and are not expected to have a significant impact on the Group.

Notes to the financial statements

For the year ended 30 June 2021

12.4 Future accounting developments (continued)

Narrow scope amendments have been made to AASB 101 *Presentation of financial statements*, Practice Statement 2 *Making Materiality Judgements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* that aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The disclosure amendments are effective for the Group from 1 July 2023.

AASB 17 *Insurance Contracts*, amends the accounting for insurance contracts and will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 will apply to the Group from 1 July 2023. The impact of AASB 17 is dependent on the Group's composition at the time of adoption. The Group is still assessing the impact of AASB 17.

Other amendments that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

12.5 Subsequent events

Dividend Reinvestment Plan (DRP)

The Bank expects the DRP for the final dividend for the year ended 30 June 2021 will be satisfied in full by an on-market purchase of shares of approximately $557 million.

Divestment of Colonial First State

On 13 May 2020, the Group entered into an agreement to sell a 55% interest in Colonial First State (CFS) to KKR. The sale is subject to regulatory approvals and is expected to complete in the second half of calendar year 2021. As a result of changes to the fee structures of certain CFS products and other impacts to the earnings of CFS associated with its separation from the Group, the Group and KKR have agreed to amend certain financial terms of the sale subsequent to 30 June 2021, including to the originally expected proceeds of $1.7 billion. These amendments are not expected to have a material impact on the financial outcomes from the transaction.

Transfer of Commonwealth Financial Planning business

On 28 July 2021, the Group entered into an agreement with AIA Australia for a partial transfer of the Commonwealth Financial Planning (CFP) business to AIA Financial Services Limited. The transaction is expected to complete in the second half of calendar year 2021. The Group expects to recognise a post-tax loss of approximately $52 million mainly resulting from the write-down of assets to fair value less cost to sell.

Share buy-back

On 11 August 2021, the Bank announced its intention to undertake an off-market buy-back of up to $6 billion of shares. Shareholder participation in the buy-back is voluntary. The Bank reserves the right to vary, suspend or terminate the buy-back at any time.

Impact of coronavirus (COVID-19)

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of economic recovery. In accordance with AASB 110 *Events after the Reporting Period*, the Group considered whether events after the reporting period confirmed conditions existing before the reporting date. Consideration was given to the macro-economic impact of lockdowns implemented across New South Wales, Victoria and South Australia; the closure of state borders, and the extension of further government support measures. The Group did not identify any subsequent events precipitated by COVID-19 related developments, which would require adjustment to the amounts or disclosures in the financial statements. Further, no other material non-adjusting subsequent events relating to COVID-19 were identified requiring disclosure in the financial statements. Given the fluid nature of the current situation, the Group will continue to regularly review forward looking assumptions and forecast economic scenarios.

Directors' declaration

The Directors of the Commonwealth Bank of Australia declare that:

In the opinion of the Directors, the financial statements and notes for the year ended 30 June 2021, as set out on pages 114 to 269, are in accordance with the *Corporations Act 2001* (Cth), including:

i. complying with the Australian Accounting Standards and any further requirements in the *Corporations Regulations 2001*; and

ii. giving a true and fair view of the Commonwealth Bank of Australia and the Group's financial position as at 30 June 2021 and their performance for the year ended 30 June 2021;

In the opinion of the Directors, there are reasonable grounds to believe that the Commonwealth Bank of Australia will be able to pay its debts as and when they become due and payable.

Note 1.1 of the financial statements includes a statement of compliance with International Financial Reporting Standards.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) for the year ended 30 June 2021.

This declaration is made in accordance with a resolution of the Directors.

Catherine Livingstone AO
Chairman
11 August 2021

Matt Comyn
Managing Director and Chief Executive Officer
11 August 2021

Independent auditor's report

To the members of the Commonwealth Bank of Australia

pwc

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of the Commonwealth Bank of Australia (the Bank) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Bank's and the Group's financial positions as at 30 June 2021 and of their financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Bank and Group financial report comprises:

- the Bank and Group Balance Sheets as at 30 June 2021
- the Bank and Group Income Statements for the year then ended
- the Bank and Group Statements of Comprehensive Income for the year then ended
- the Bank and Group Statements of Changes in Equity for the year then ended
- the Bank and Group Statements of Cash Flows for the year then ended
- the Notes to the financial statements, which include significant accounting policies and other explanatory information
- the Directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank and the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

Bank and Group audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Bank and the Group, their accounting processes and controls and the industries in which they operate.

The Group is structured into five business segments being Retail Banking Services (RBS), Business Banking (BB), Institutional Banking and Markets (IB&M), New Zealand (NZ), and Corporate Centre and Other.

Our audit focused on where the Bank and the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

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Independent auditor's report

To the members of the Commonwealth Bank of Australia

In designing the scope of our audit, we considered the structure of the Bank and the Group and further identified those entities or business activities within each business segment for which the Bank and the Group prepare financial information for inclusion in the financial report (referred to as components).

The nature, timing and extent of audit work performed for each component was determined by the components' risk characteristics and financial significance to the Bank and the Group and consideration of whether sufficient evidence had been obtained for our opinion on the financial report as a whole. This involved either:

- an audit of the complete financial information of a component (full scope);
- an audit of one or more of the component's account balances, classes of transactions or disclosures (specified scope); or
- analytical procedures performed at the Group level and/or audit procedures at a Group level, including over the consolidation of the Group's components and the preparation of the financial report (other procedures).

Number of components by scope

Set out in the following diagram is a high-level overview of how our audit scope aligns to the identified components and our audit report.

Scoping and performance of procedures		Reporting	
Component	Audit Scope	Key Audit Matters	Audit opinion
RBS	Full scope	*Areas in our professional judgement which were of most significance in our audit*	*Opinion on the financial report as a whole*
BB	Full scope		
IB&M	Full scope		
Group Treasury	Full scope		
NZ – ASB [1]	Full scope		
Corporate Centre and Other	Other procedures		

1 Full scope audit procedures were also performed for the purposes of the standalone legal entity statutory financial report for this entity.

Independent auditor's report

To the members of the Commonwealth Bank of Australia

Bank and Group materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank and Group materiality for the financial report, which we have set out in the table below:

Overall Bank and Group materiality	$500 million (2020: $490 million)
How we determined it	Approximately 5% of 2021 financial year profit before tax (PBT) for the Bank (2020: approximately 5% of 2020 financial year PBT for the Group). As the Bank has a lower PBT in the year ended 30 June 2021, we calculated materiality based on the Bank PBT and applied this during the audit of both the Bank and the Group.
Rationale for the materiality benchmark applied	We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose net profit before income tax because, in our view, it is the metric against which the performance of the Bank and the Group is most commonly measured and is a generally accepted benchmark. We performed our audit over both the Bank and the Group financial information concurrently. We apply the lower materiality calculated based on the Bank or the Group PBT in order to avoid duplication of work. We utilised a 5% threshold based on our professional judgement, noting that it is within the range of commonly acceptable thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current year. We describe each key audit matter and include a summary of the principal audit procedures we performed to address those matters in the table below.

The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. The key audit matters identified below relate to both the Bank and the Group audit, unless otherwise stated below. We communicated the key audit matters to the Audit Committee.

Independent auditor's report

To the members of the Commonwealth Bank of Australia

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Key audit matter	How our audit addressed the key audit matter
Loan impairment provisions *(Relevant components: RBS, BB, IB&M, NZ – ASB)*	
Insofar as it applies to loan impairment provisions, AASB 9 requires an expected credit loss (ECL) provision to be recognised, the measurement of which is required to incorporate reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Bank and the Group utilise ECL models which are reliant on internal and external data as well as a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk. Provisions for impairment of loans that exceed specific monetary thresholds are individually assessed by the Bank and the Group. These provisions are established based on the expected future cash repayments and estimated proceeds from the realisation of the value of the collateral held by the Bank and the Group in respect of those loans under multiple weighted scenario outcomes. We considered this a key audit matter due to the inherent estimation uncertainty in this area, namely due to the subjectivity in judgements made by the Bank and the Group in recognising impairment provisions including: • Models used to calculate ECL (ECL models) are inherently complex and judgement is applied in determining the appropriate construct of each model; • A number of assumptions are made by the Bank and the Group concerning the values of inputs to the ECL models and how inputs correlate with one another; and • An increased level of estimation uncertainty and subjective judgements associated with determining the valuation of the individually assessed provisions for impaired non-retail borrowers. Further, the COVID-19 pandemic has introduced additional subjectivity and judgement into the measurement of ECL due to the heightened uncertainty regarding economic outlook and the consequential impact of the pandemic on the Bank and the Group's customers. Specifically, this includes judgements regarding the impact of COVID-19 on forward looking information, including macroeconomic scenarios and their associated weightings and the use of model adjustments and overlays in the calculation of the ECL. ***Relevant references in the financial report*** Refer to notes 1.1 and 3.2 for further information.	We developed an understanding of the controls relevant to our audit over the following areas and assessed whether they were appropriately designed and were operating effectively throughout the year on a sample basis: • Review and approval of forward looking information used in ECL models; • Reliability and accuracy of critical data elements used in ECL models; • Model monitoring performed to support the effectiveness of the models used in estimating ECL; and • Review and approval of ECL model adjustments and the ECL loan impairment provisions by the Bank's and the Group's Loan Loss Provisioning Committee (LLPC). In addition to controls testing we, along with PwC credit risk modelling experts and PwC economics experts, performed the following audit procedures, amongst others, on a sample basis: • Assessed the ECL model methodology applied against accepted theory and the results of model monitoring performed, including back-testing of actual losses against predicted losses. This included inspection of significant model components and reperformance of certain tests within the Bank's and the Group's model monitoring; • Considered the Bank's and the Group's significant judgements including the appropriateness of forward looking information incorporated into the ECL models by assessing the forecasts, assumptions and probability weightings with a particular focus on the impact of COVID-19; • Agreed a sample of certain critical data elements used as inputs to the ECL models to relevant source documentation; • Recalculated ECL to assess the accuracy of the modelled outputs; • Assessed the appropriateness of certain model adjustments and overlays identified by the Bank and the Group against internal and external supporting information where available; and • Considered the impact of events occurring subsequent to balance date on the provision for ECL. For a selection of individually assessed provisions for specific lending assets, we performed the following audit procedures, amongst others: • Evaluated cashflow forecasts supporting the ECL provision by assessing significant judgements made by the Bank and the Group in the context of the borrowers' circumstances based on the detailed loan and counterparty information known by the Bank and the Group; • Compared data and assumptions in the Bank's and the Group's estimates (such as valuation of collateral held) to external information where available; and • Where applicable, considered the competency, capabilities, objectivity and nature of the work of certain experts of the Bank and the Group who assisted in the development of significant assumptions used in determining the provision. We also assessed the reasonableness of the disclosures against the requirements of Australian Accounting Standards.

Independent auditor's report

To the members of the Commonwealth Bank of Australia

pwc

Key audit matter	How our audit addressed the key audit matter

Judgemental valuation of financial instruments *(Relevant components: RBS, IB&M, NZ – ASB)*

At 30 June 2021, the value of 'Level 2' fair value financial instruments (i.e. where key inputs to the valuation are based on observable market data) held by the Group is $57,581m assets and $24,190m liabilities. The value of Level 2 fair value financial instruments held by the Bank is $55,530m assets and $21,527m liabilities.

The Level 2 financial instruments held at fair value include:

- Derivative assets and liabilities;
- Investment securities at fair value through Other Comprehensive Income;
- Trading assets and liabilities at fair value through the Income Statement; and
- Other assets at fair value through the Income Statement.

We considered Level 2 financial instruments to be a key audit matter due to their financial significance to the Bank and the Group. Additionally, the valuation of these instruments requires judgement by the Bank and the Group in relation to the application of appropriate models and assumptions including fair value adjustments.

At 30 June 2021, the value of 'Level 3' fair value financial instruments (i.e. where the valuation is based on unobservable inputs) held by the Group is $3,047m assets and $23m liabilities. The value of Level 3 fair value financial instruments held by the Bank is $3,020m assets and $23m liabilities. In relation to the financial assets, the Bank and the Group have an investment in Klarna Bank AB which is measured at fair value through Other Comprehensive Income. At 30 June 2021, the fair value of this investment is $2,701m. We considered this investment to be a key audit matter due to its financial significance and the additional judgement required by the Bank and the Group over its valuation given it is based on unobservable inputs.

Relevant references in the financial report

Refer to notes 4.2, 5.3, 5.4, 5.5 and 9.5 for further information.

We developed an understanding of the controls relevant to our audit over the following areas and assessed whether they were appropriately designed and were operating effectively throughout the year on a sample basis:

- Assessment of valuation models at inception and periodically;
- Reliability and accuracy of key market data used in the Bank's and the Group's valuation models;
- Trade confirmations; and
- Financial instrument position and settlement reconciliation.

Additionally, together with PwC valuation experts, we compared the Bank's and the Group's calculations of fair value to our own calculations across a sample of financial instruments. This involved sourcing inputs from market data providers and using our own valuation models. We considered the results to assess whether there was evidence of systemic bias or error in the Bank's and the Group's valuation of financial instruments by investigating the root cause for material variances.

With the assistance of PwC valuation experts, we performed the following audit procedures, amongst others, over the investment in Klarna Bank AB:

- Assessed the design effectiveness of certain controls over the approval of the calculation model, accuracy of the data inputs to the calculation model, and governance and review;
- Assessed the appropriateness of the methodology and significant assumptions adopted by the Bank and the Group to derive the fair value estimate;
- Tested the key data in the calculation model to external information where available; and
- Recalculated the fair value to assess the accuracy of the model output.

We also assessed the reasonableness of related disclosures in the financial report against the requirements of Australian Accounting Standards.

Independent auditor's report

To the members of the Commonwealth Bank of Australia

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Key audit matter	How our audit addressed the key audit matter
Provisions for customer remediation and project and other costs associated with regulatory compliance matters and ongoing legal proceedings *(Relevant components: All)*	
The Bank and the Group have assessed the need to raise provisions in relation to customer remediation payments and associated project costs, project costs related to ongoing legal proceedings, and project costs associated with compliance matters and investigations and reviews from its regulators. We considered this a key audit matter due to the subjective judgements made by the Bank and the Group in determining: • The probability of future uncertain outcomes based on available information; • The estimate of customer remediation payment amounts resulting from remediation programs whereby the Bank and the Group extrapolate the results of their sample testing; and • The project costs associated with the remediation activities, and regulatory proceedings, investigations and reviews. ***Relevant references in the financial report*** Refer to note 7.1 for further information.	We developed an understanding of the Bank's and the Group's processes for identifying and assessing the impact of the Bank's and the Group's regulatory and customer-related remediation obligations. We read the minutes of the Bank's main governance meetings (including Audit Committee, Risk Committee and Board of Directors meetings), attended the Bank's Audit Committee and Risk Committee meetings, and considered correspondence with relevant regulatory bodies. We discussed ongoing legal matters with the directors and management. We obtained written representations from the Group Chief Executive Officer, Chief Financial Officer and Group General Counsel and obtained access to relevant documents in order to develop our understanding of the matters. For those matters that resulted in a material provision at year end, we performed the following procedures, amongst others: • Developed an understanding of the relevant control activities associated with developing the provision; • Performed tests over the design effectiveness and operating effectiveness of relevant controls over the provision; • Evaluated the appropriateness of the methodology applied and the appropriateness of the assumptions and data used to develop the provision in the context of Australian Accounting Standards. This included consideration of results from sample testing performed and subsequent adjustments made to the output of the sample test results; • Considered whether changes from the prior year to the method, assumptions, and/or the data for developing the provision were appropriate. This included identifying whether the changes were based on new circumstances or new information; • For provisions related to customer remediation, discussed with management the remediation plans and considered the feasibility and intent to carry out such courses of action; • Where applicable, considered the competency, capabilities, objectivity, and nature of the work of certain experts of the Bank and the Group who assisted in the development of assumptions used in determining the provision; • Evaluated relevant events occurring up to the date of the auditor's report; and • Evaluated the reasonableness of the disclosures made in note 7.1, including those related to estimation uncertainty, against the requirements of Australian Accounting Standards. Where the Bank and the Group determined that they were unable to reliably estimate the possible financial impact of a remediation activity, investigation or ongoing legal matter, we considered relevant information available in relation to the activities and investigations to assess the appropriateness of this conclusion. We also assessed the adequacy and reasonableness of related disclosures against the requirements of Australian Accounting Standards.

Independent auditor's report

To the members of the Commonwealth Bank of Australia

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Key audit matter	How our audit addressed the key audit matter
Operation of financial reporting Information Technology (IT) systems and controls *(Relevant components: All)*	
We considered this a key audit matter because the Bank's and the Group's operations and financial reporting processes are heavily dependent on IT systems for the processing and recording of a significant volume of transactions. In particular, in common with all banks, access rights to technology are important because they are intended to ensure that changes to applications and data are appropriately authorised. Ensuring that only appropriate staff have access to IT systems, that the level of access itself is appropriate, and that access is periodically monitored, are key controls in mitigating the potential for fraud or error as a result of a change to an application or underlying data. The Bank's and the Group's controls over IT systems are intended to ensure that: • New systems or changes to existing systems operate as intended and are authorised; • Access to process transactions or change data is appropriate and maintains an intended segregation of duties; • The use of privileged access to systems and data is restricted and monitored; and • IT processing is approved and where issues arise they are resolved.	For material financial statement balances we developed an understanding of the business processes, IT systems used to generate and support those balances and associated IT application controls and IT dependencies in manual controls. Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. This involved assessing, where relevant to the audit: • Change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems; • System development: the project disciplines which ensure that significant developments or implementation are appropriately tested before implementation and that data is converted and transferred completely and accurately; • Security: the access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts or ensure that data is only changed through authorised means; and • IT operations: the controls over operations are used to ensure that any issues that arise are managed appropriately. Within the scope of our audit where technology services are provided by a third party, we considered: • Assurance reports from the third party's auditor on the design and operating effectiveness of controls; and • Managements monitoring control over the third party. We also carried out tests, on a sample basis, of IT application controls and IT dependencies in manual controls that were key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls. Where we noted design or operating effectiveness matters relating to IT systems and applications controls relevant to our audit, we performed alternative or additional audit procedures.

Independent auditor's report

To the members of the Commonwealth Bank of Australia

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of our limited assurance report over the Non-Financial Performance Metrics as detailed in pages 59 to 64 of the annual report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Bank are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Bank and the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration report

Our opinion on the Remuneration report

We have audited the Remuneration report included in pages 84 to 110 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration report of the Commonwealth Bank of Australia for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Bank are responsible for the preparation and presentation of the Remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
11 August 2021

Additional information contents

Additional information

Security holder information	280
Five-year financial summary	288
Profit reconciliation	291
Glossary of terms	293
Contact information	309

Additional information

Security holder information

Top 20 holders of fully paid ordinary shares as at 19 July 2021

Rank	Name of holder	Number of shares	%
1	HSBC Custody Nominees	398,230,724	22. 44%
2	J P Morgan Nominees Australia Limited	250,321,574	14. 11%
3	Citicorp Nominees Pty Limited	112,336,605	6. 33%
4	BNP Paribas Nominees Pty Ltd	57,814,294	3. 25%
5	National Nominees Limited	50,503,981	2. 85%
6	Australian Foundation Investment	7,900,000	0. 45%
7	Bond Street Custodians Limited	6,911,692	0. 39%
8	Netwealth Investments Limited	5,737,832	0. 32%
9	Milton Corporation Limited	3,140,470	0. 18%
10	Australian Executor Trustees Limited	2,771,574	0. 16%
11	Argo Investments Limited	2,753,731	0. 16%
12	Navigator Australia	2,600,064	0. 15%
13	Nulis Nominees (Australia)	1,755,488	0. 10%
14	Mr Barry Martin Lambert	1,643,613	0. 09%
15	McCusker Holdings Pty Ltd	1,370,000	0. 08%
16	Invia Custodian Pty Limited	1,158,524	0. 07%
17	BKI Investment Company Limited	1,093,077	0. 06%
18	Joy Wilma Lambert	1,068,250	0. 06%
19	Custodial Services Limited	959,000	0. 05%
20	UBS Nominees Pty Ltd	922,348	0. 05%

The top 20 shareholders hold 910,992,841 shares which is equal to 51.35% of the total shares on issue.

Substantial shareholding

The following organisations have disclosed a substantial shareholding notice to ASX. As at 19 July 2021, the Bank has received no further update in relation to these substantial shareholdings.

Name	Number of shares	Percentage of voting power
BlackRock Group [1]	106,300,321	6
The Vanguard Group, Inc. [2]	88,022,378	5

1 Substantial shareholding as at 6 March 2020, as per notice lodged on 10 March 2020.
2 Substantial shareholding as at 20 July 2018, as per notice lodged on 25 July 2018.

Stock exchange listing

The shares of the Commonwealth Bank of Australia (Bank) are listed on the Australian Securities Exchange (ASX) under the trade symbol of CBA. 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 19 July 2021

Ranges	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued capital	Number of rights holders [2]
1 - 1,000	662,301	75. 99	183,306,175	10. 33	282
1,001 - 5,000	181,477	20. 82	379,437,224	21. 39	66
5,001 - 10,000	19,480	2. 24	132,471,772	7. 47	27
10,001 - 100,000	8,086	0. 93	152,186,602	8. 58	42
100,001 - over	147	0. 02	926,694,637	52. 23	–
Total	871,491	100. 00	1,774,096,410	100. 00	417
Less than marketable parcel of $500 [1]	13,475	1. 55	35,518	0. 00	–

1 Based on a closing price of $97.68 on 19 July 2021.
2 The total number of rights on issue is 1,147,797 rights which carry no entitlement to vote.

Voting rights

Under the Bank's Constitution, shareholders entitled to vote at a general meeting may vote in person, directly or by proxy, attorney or representative, depending on whether the shareholder is an individual or a company.

Subject to any rights or restrictions attaching to shares, each ordinary shareholder present at a general meeting has:

Additional information (continued)

Security holder information (continued)

- On a show of hands - one vote; and
- On a poll - one vote for each fully paid share held. If shares are not fully paid, on a poll the number of votes attaching to the shares is pro-rated accordingly.

If a person at a general meeting represents personally or by proxy, attorney or official representative more than one shareholder, on a show of hands the person is entitled to one vote only even though he or she represents more than one shareholder.

Where a shareholder appoints two proxies or attorneys to vote at the same general meeting:

- If the appointment does not specify the proportion or number of the shareholder's votes each proxy or attorney may exercise, each proxy or attorney may exercise half the shareholder's votes;
- On a show of hands, neither proxy or attorney may vote if more than one proxy or attorney attends; and
- On a poll, each proxy or attorney may only exercise votes in respect of those shares or voting rights the proxy or attorney represents.

Top 20 holders of CommBank PERLS VII Capital Notes ("PERLS VII") as at 19 July 2021

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	3,204,066	10. 68%
2	BNP Paribas Noms Pty Ltd	1,432,845	4. 78%
3	J P Morgan Nominees Australia Limited	1,416,863	4. 72%
4	Netwealth Investments Limited	772,333	2. 57%
5	Citicorp Nominees Pty Limited	379,279	1. 26%
6	Australian Executor Trustees Limited	323,059	1. 08%
7	Bond Street Custodians Limited	232,121	0. 77%
8	Navigator Australia	212,222	0. 71%
9	Nulis Nominees (Australia)	186,426	0. 62%
10	Mutual Trust Pty Ltd	178,414	0. 60%
11	National Nominees Limited	159,909	0. 53%
12	Invia Custodian Pty Limited	93,228	0. 31%
13	Marrosan Investments Pty Ltd	84,286	0. 28%
14	Tsco Pty Ltd	80,000	0. 27%
15	Seymour Group Pty Ltd	73,700	0. 25%
16	Willimbury Pty Ltd	70,673	0. 24%
17	Limeburner Investments Pty Ltd	67,245	0. 22%
18	Eastcote Pty Limited	59,300	0. 20%
19	Berne No 132 Nominees Pty Ltd	56,057	0. 19%
20	Mifare Pty Ltd	55,000	0. 18%

The top 20 PERLS VII security holders hold 9,137,026 securities which is equal to 30.46% of the total securities on issue.

Stock exchange listing

PERLS VII are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPD.

Range of securities (PERLS VII) as at 19 July 2021

Ranges	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 - 1,000	25,890	86. 72	8,855,195	29. 52
1,001 - 5,000	3,514	11. 77	7,070,156	23. 56
5,001 - 10,000	253	0. 85	1,806,221	6. 02
10,001 - 100,000	182	0. 61	4,235,295	14. 12
100,001 - over	15	0. 05	8,033,133	26. 78
Total	29,854	100. 00	30,000,000	100. 00
Less than marketable parcel of $500 [1]	17	0. 06	32	0. 00

1. Based on a closing price of $101.10 on 19 July 2021.

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 280 and 281 for the Bank's ordinary shares.

Additional information (continued)

Security holder information (continued)

Top 20 holders of CommBank PERLS VIII Capital Notes ("PERLS VIII") as at 19 July 2021

Rank	Name of holder	Number of securities	%
1	BNP Paribas Noms Pty Ltd	3,289,309	22. 69%
2	HSBC Custody Nominees	1,539,519	10. 62%
3	J P Morgan Nominees Australia Limited	360,224	2. 48%
4	Netwealth Investments Limited	122,256	0. 84%
5	Navigator Australia	87,349	0. 60%
6	Snowside Pty Ltd	83,983	0. 58%
7	Citicorp Nominees Pty Limited	82,347	0. 57%
8	Nulis Nominees (Australia)	71,945	0. 50%
9	Australian Executor Trustees Limited	60,096	0. 41%
10	Mutual Trust Pty Ltd	58,304	0. 40%
11	Bond Street Custodians Limited	54,478	0. 38%
12	Dimbulu Pty Ltd	50,000	0. 35%
13	Marrosan Investments Pty Ltd	50,000	0. 35%
14	Mifare Pty Ltd	50,000	0. 35%
15	V S Access Pty Ltd	48,084	0. 33%
16	Adirel Holdings Pty Ltd	47,000	0. 32%
17	Resthaven Incorporated	45,500	0. 31%
18	Federation University Australia	45,000	0. 31%
19	Mr Vincent David Smart and Mrs Susan May Smart	36,160	0. 25%
20	Larkins Business Management Pty Ltd	35,352	0. 24%

The top 20 PERLS VIII security holders hold 6,216,906 securities which is equal to 42.88% of the total securities on issue.

Stock exchange listing

PERLS VIII are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPE.

Range of securities (PERLS VIII) as at 19 July 2021

Ranges	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 - 1,000	12,808	89. 47	4,033,700	27. 82
1,001 - 5,000	1,328	9. 28	2,774,263	19. 13
5,001 - 10,000	111	0. 78	836,228	5. 77
10,001 - 100,000	63	0. 44	1,761,149	12. 15
100,001 - over	5	0. 03	5,094,660	35. 13
Total	14,315	100. 00	14,500,000	100. 00
Less than marketable parcel of $500 [1]	4	0. 03	9	0. 00

1. Based on a closing price of $100.96 on 19 July 2021.

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 280 and 281 for the Bank's ordinary shares.

Additional information (continued)

Security holder information (continued)

Top 20 holders of CommBank PERLS IX Capital Notes ("PERLS IX") as at 19 July 2021

Rank	Name of holder	Number of securities	%
1	BNP Paribas Noms Pty Ltd	2,420,492	14. 76%
2	HSBC Custody Nominees	1,626,263	9. 92%
3	J P Morgan Nominees Australia Limited	847,261	5. 17%
4	Navigator Australia	176,423	1. 08%
5	Australian Executor Trustees Limited	175,915	1. 07%
6	Citicorp Nominees Pty Limited	152,403	0. 93%
7	Bond Street Custodians Limited	147,921	0. 90%
8	Dimbulu Pty Ltd	147,700	0. 90%
9	Mutual Trust Pty Ltd	146,702	0. 89%
10	Netwealth Investments Limited	143,856	0. 88%
11	Nulis Nominees (Australia)	86,752	0. 53%
12	Fibora Pty Ltd	64,740	0. 39%
13	Invia Custodian Pty Limited	54,400	0. 33%
14	National Nominees Limited	45,039	0. 27%
15	Ernron Pty Ltd	34,530	0. 21%
16	Sir Moses Montefiore Jewish Home	30,660	0. 19%
17	Pendant Realty Pty Ltd	30,000	0. 18%
18	Port Stephens Veterans And Aged Care Ltd	30,000	0. 18%
19	Taverners No 11 Pty Ltd	29,211	0. 18%
20	J C Family Investments Pty Limited	27,430	0. 17%

The top 20 PERLS IX security holders hold 6,417,698 securities which is equal to 39.13% of the total securities on issue.

Stock exchange listing

PERLS IX are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPF.

Range of securities (PERLS IX) as at 19 July 2021

Ranges	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 - 1,000	16,829	90. 21	5,334,567	32. 53
1,001 - 5,000	1,644	8. 81	3,315,567	20. 22
5,001 - 10,000	106	0. 57	789,495	4. 81
10,001 - 100,000	65	0. 35	1,490,060	9. 09
100,001 - over	11	0. 06	5,470,311	33. 35
Total	18,655	100. 00	16,400,000	100. 00
Less than marketable parcel of $500 [1]	6	0. 03	10	0. 00

1. Based on a closing price of $101.78 on 19 July 2021.

Voting rights

PERLS IX do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 280 and 281 for the Bank's ordinary shares.

Additional information (continued)

Security holder information (continued)

Top 20 holders of CommBank PERLS X Capital Notes ("PERLS X") as at 19 July 2021

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	1,480,697	10. 84%
2	BNP Paribas Noms Pty Ltd	1,295,184	9. 49%
3	J P Morgan Nominees Australia Limited	342,654	2. 51%
4	Citicorp Nominees Pty Limited	242,617	1. 78%
5	Netwealth Investments Limited	145,740	1. 07%
6	Navigator Australia	127,711	0. 94%
7	National Nominees Limited	114,991	0. 84%
8	Dimbulu Pty Ltd	100,000	0. 73%
9	Marrosan Investments Pty Ltd	80,000	0. 58%
10	Bond Street Custodians Limited	79,447	0. 58%
11	Australian Executor Trustees Limited	77,549	0. 57%
12	Mutual Trust Pty Ltd	64,521	0. 47%
13	Federation University Australia	55,231	0. 40%
14	Eastcote Pty Ltd	50,000	0. 37%
15	Harriette & Co Pty Ltd	50,000	0. 37%
16	Rakio Pty Ltd	45,743	0. 34%
17	Nulis Nominees (Australia)	41,788	0. 31%
18	Mr Roni G Sikh	40,492	0. 30%
19	Taverners No 11 Pty Ltd	38,710	0. 28%
20	Ainsley Heath Investments Pty Ltd	35,500	0. 26%

The top 20 PERLS X security holders hold 4,508,575 securities which is equal to 33.03% of the total securities on issue.

Stock exchange listing

PERLS X are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPG.

Range of securities (PERLS X) as at 19 July 2021

Ranges	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 - 1,000	12,403	88. 18	4,324,946	31. 68
1,001 - 5,000	1,470	10. 45	3,173,198	23. 25
5,001 - 10,000	117	0. 83	888,267	6. 51
10,001 - 100,000	68	0. 48	1,779,584	13. 04
100,001 - over	9	0. 06	3,484,005	25. 52
Total	14,067	100. 00	13,650,000	100. 00
Less than marketable parcel of $500 [1]	7	0. 05	11	0. 00

1 Based on a closing price of $103.44 on 19 July 2021.

Voting rights

PERLS X do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 280 and 281 for the Bank's ordinary shares.

Additional information (continued)

Security holder information (continued)

Top 20 holders of CommBank PERLS XI Capital Notes ("PERLS XI") as at 19 July 2021

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	1,712,468	10. 77%
2	J P Morgan Nominees Australia Limited	524,934	3. 30%
3	BNP Paribas Noms Pty Ltd	417,295	2. 62%
4	Netwealth Investments Limited	281,745	1. 77%
5	Australian Executor Trustees Limited	246,960	1. 55%
6	National Nominees Limited	188,735	1. 19%
7	Citicorp Nominees Pty Limited	184,127	1. 16%
8	Dimbulu Pty Ltd	150,000	0. 94%
9	Bond Street Custodians Limited	132,012	0. 83%
10	Navigator Australia	109,299	0. 69%
11	Eastcote Pty Limited	100,000	0. 63%
12	G Harvey Investments Pty Ltd	100,000	0. 63%
13	Nulis Nominees (Australia)	90,024	0. 57%
14	Pamdale Investments Pty Ltd	89,578	0. 56%
15	V S Access Pty Ltd	80,000	0. 50%
16	Edgelake Proprietary Limited	49,267	0. 31%
17	Mutual Trust Pty Ltd	44,026	0. 28%
18	Margen Biggs Pty Limited	36,000	0. 23%
19	Federation University Australia	34,509	0. 22%
20	Invia Custodian Pty Limited	33,494	0. 21%

The top 20 PERLS XI security holders hold 4,604,473 securities which is equal to 28.96% of the total securities on issue.

Stock exchange listing

PERLS XI are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPH.

Range of securities (PERLS XI) as at 19 July 2021

Ranges	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 - 1,000	16,387	88. 75	5,621,025	35. 35
1,001 - 5,000	1,849	10. 01	3,835,156	24. 12
5,001 - 10,000	145	0. 79	1,074,800	6. 76
10,001 - 100,000	72	0. 39	1,806,406	11. 36
100,001 - over	11	0. 06	3,562,613	22. 41
Total	18,464	100. 00	15,900,000	100. 00
Less than marketable parcel of $500 [1]	12	0. 06	22	0. 00

1 Based on a closing price of $104.19 on 19 July 2021.

Voting rights

PERLS XI 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 280 and 281 for the Bank's ordinary shares.

Additional information (continued)

Security holder information (continued)

Top 20 holders of CommBank PERLS XII Capital Notes ("PERLS XII") as at 19 July 2021

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	1,895,213	11. 49%
2	BNP Paribas Noms Pty Ltd	567,640	3. 44%
3	Netwealth Investments Limited	336,020	2. 04%
4	J P Morgan Nominees Australia Limited	235,136	1. 43%
5	Royal Freemasons Benevolent Institution	202,500	1. 23%
6	Dimbulu Pty Ltd	200,000	1. 21%
7	Australian Executor Trustees Limited	164,574	1. 00%
8	Citicorp Nominees Pty Limited	136,153	0. 83%
9	Tandom Pty Ltd	120,000	0. 73%
10	Diocese Development Fund - Catholic Diocese Of Parramatta	101,472	0. 61%
11	National Nominees Limited	96,567	0. 59%
12	Bond Street Custodians Limited	82,430	0. 50%
13	Navigator Australia	65,056	0. 39%
14	Nulis Nominees (Australia)	57,852	0. 35%
15	Tsco Pty Ltd	48,650	0. 29%
16	Invia Custodian Pty Limited	46,360	0. 28%
17	BNP Paribas Nominees Pty Ltd	45,120	0. 27%
18	Brujan Assets Pty Limited	45,000	0. 27%
19	Mutual Trust Pty Ltd	44,614	0. 27%
20	RL Thomson Pty Ltd	40,000	0. 24%

The top 20 PERLS XII security holders hold 4,530,357 securities which is equal to 27.46% of the total securities on issue.

Stock exchange listing

PERLS XII are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPI.

Range of securities (PERLS XII) as at 19 July 2021

Ranges	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 - 1,000	15,215	87. 18	5,654,290	34. 27
1,001 - 5,000	1,994	11. 43	4,167,901	25. 26
5,001 - 10,000	151	0. 87	1,111,675	6. 74
10,001 - 100,000	80	0. 46	2,157,358	13. 07
100,001 - over	10	0. 06	3,408,776	20. 66
Total	17,450	100. 00	16,500,000	100. 00
Less than marketable parcel of $500 [1]	5	0. 03	7	0. 00

1 Based on a closing price of $101.98 on 19 July 2021.

Voting rights

PERLS XII 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 280 and 281 for the Bank's ordinary shares.

Additional information (continued)

Security holder information (continued)

Top 20 holders of CommBank PERLS XIII Capital Notes ("PERLS XIII") as at 19 July 2021

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	1,777,974	15. 07%
2	J P Morgan Nominees Australia Limited	1,071,025	9. 08%
3	BNP Paribas Noms Pty Ltd	461,294	3. 91%
4	Netwealth Investments Limited	263,750	2. 24%
5	National Nominees Limited	174,198	1. 48%
6	Mr Daniel Wallis	170,000	1. 44%
7	Leda Holdings Pty Ltd	111,000	0. 94%
8	Dimbulu Pty Ltd	100,000	0. 85%
9	Nora Goodridge Investments Pty Limited	100,000	0. 85%
10	Royal Freemasons Benevolent Institution	100,000	0. 85%
11	Nothman Pty Ltd	88,700	0. 75%
12	Citicorp Nominees Pty Limited	86,727	0. 73%
13	Herbert St Investments Pty Ltd	84,000	0. 71%
14	Valtellina Properties Pty Ltd	70,844	0. 60%
15	Taverners No 11 Pty Ltd	60,000	0. 51%
16	Mutual Trust Pty Ltd	58,140	0. 49%
17	Australian Executor Trustees Limited	43,658	0. 37%
18	Resthaven Incorporated	40,000	0. 34%
19	MFIC Securities Pty Ltd	35,800	0. 30%
20	Mr Yi Yin	35,800	0. 30%

The top 20 PERLS XIII security holders hold 4,932,910 securities which is equal to 41.81% of the total securities on issue.

Stock exchange listing

PERLS XIII are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPJ.

Range of securities (PERLS XIII) as at 19 July 2021

Ranges	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 - 1,000	10,836	90. 62	3,336,744	28. 28
1,001 - 5,000	963	8. 05	2,126,737	18. 02
5,001 - 10,000	88	0. 74	621,489	5. 27
10,001 - 100,000	61	0. 51	1,810,948	15. 35
100,001 - over	9	0. 08	3,904,082	33. 08
Total	11,957	100. 00	11,800,000	100. 00
Less than marketable parcel of $500 [1]	–	–	–	–

1 Based on a closing price of $101.05 on 19 July 2021.

Voting rights

PERLS XIII 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 280 and 281 for the Bank's ordinary shares.

Relevant exchanges

In addition to the ASX, the Group has securities quoted on the London Stock Exchange (LSE), Swiss Exchange (SIX) and the New Zealand Exchange (NZX).

Five-year financial summary

	30 Jun 21 $M	30 Jun 20 [1] $M	30 Jun 19 [1] $M	30 Jun 18 $M	30 Jun 17 $M
Net interest income	**18,839**	18,610	18,224	18,465	17,546
Other operating income	**5,317**	5,151	5,355	5,646	6,831
Total operating income	**24,156**	23,761	23,579	24,111	24,377
Operating expenses	**(11,359)**	(10,996)	(10,891)	(10,653)	(10,129)
Loan impairment expense	**(554)**	(2,518)	(1,201)	(1,079)	(1,095)
Net profit before tax	**12,243**	10,247	11,487	12,379	13,153
Income tax expense	**(3,590)**	(3,022)	(3,301)	(3,779)	(3,752)
Non-controlling interests	**–**	–	(12)	(13)	(13)
Net profit after tax from continuing operations ("cash basis")	**8,653**	7,225	8,174	8,587	9,388
Net profit after tax from discontinued operations	**148**	182	527	825	493
Net profit after tax ("cash basis")	**8,801**	7,407	8,701	9,412	9,881
Treasury shares valuation adjustment	**–**	–	6	2	(23)
Hedging and IFRS volatility	**7**	93	(79)	101	73
Gain/(loss) on disposal of entities net of transaction costs	**1,373**	2,092	(61)	(183)	–
Bankwest non-cash items	**–**	–	(1)	(3)	(3)
Net profit after income tax attributable to equity holders of the Bank "statutory basis"	**10,181**	9,592	8,566	9,329	9,928
Contributions to profit (after tax)					
Retail Banking Services	**4,806**	4,142	4,043	4,465	4,423
Business Banking	**2,758**	2,474	2,765	3,134	2,736
Institutional Banking and Markets	**922**	633	1,090	1,226	1,360
New Zealand	**1,159**	809	1,059	975	871
Corporate Centre and Other	**(992)**	(833)	(783)	(1,213)	(203)
Wealth Management	**–**	–	–	–	201
Net profit after tax from continuing operations ("cash basis")	**8,653**	7,225	8,174	8,587	9,388
Balance Sheet					
Loans, bills discounted and other receivables	**811,356**	772,980	756,553	743,744	731,762
Total assets	**1,091,962**	1,015,471	977,896	975,165	976,318
Deposits and other public borrowings	**766,381**	703,432	637,420	622,234	626,655
Total liabilities	**1,013,244**	943,533	908,280	907,305	912,658
Shareholders' Equity	**78,718**	71,938	69,616	67,860	63,660
Net tangible assets (including discontinued operations)	**71,071**	64,337	59,547	56,844	53,090
Risk weighted assets – Basel III (APRA)	**450,680**	454,948	452,762	458,612	437,063
Average interest earning assets	**929,846**	897,409	871,418	861,884	834,741
Average interest bearing liabilities	**776,967**	771,982	761,115	759,583	755,612
Assets (on Balance Sheet) – Australia	**926,896**	856,638	826,045	811,491	817,519
Assets (on Balance Sheet) – New Zealand	**110,104**	103,523	99,661	94,622	89,997
Assets (on Balance Sheet) – Other	**54,962**	55,310	52,190	69,052	68,802

1 Comparative information for 2020 and 2019 has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.

Five-year financial summary (continued)

		30 Jun 21	30 Jun 20 [1]	30 Jun 19 [1]	30 Jun 18	30 Jun 17
Shareholder summary from continuing operations						
Earnings per share (cents)						
Basic						
Statutory	(cents)	**499. 2**	417. 8	455. 6	500. 0	549. 9
Cash basis	(cents)	**488. 5**	408. 5	462. 8	491. 5	545. 4
Fully diluted						
Statutory	(cents)	**470. 6**	404. 8	440. 7	485. 5	532. 9
Cash basis	(cents)	**460. 7**	396. 1	447. 4	477. 5	528. 7
Shareholder summary including discontinued operations						
Earnings per share						
Basic						
Statutory	(cents)	**574. 8**	542. 4	485. 3	534. 3	577. 3
Cash basis	(cents)	**496. 9**	418. 8	492. 7	538. 8	574. 1
Fully diluted						
Statutory	(cents)	**539. 7**	521. 0	468. 3	517. 7	558. 8
Cash basis	(cents)	**468. 4**	405. 7	475. 2	522. 0	555. 8
Dividends per share – fully franked	(cents)	**350**	298	431	431	429
Dividend cover – statutory	(times)	**1. 6**	1. 8	1. 1	1. 2	1. 3
Dividend cover – cash	(times)	**1. 4**	1. 4	1. 1	1. 2	1. 3
Dividend payout ratio						
Statutory	(%)	**61**	55	89	81	75
Cash basis	(%)	**71**	71	88	80	75
Net tangible assets per share including discontinued operations	($)	**40. 1**	36. 3	33. 6	32. 3	30. 7
Weighted average number of shares (statutory basis)	(M)	**1,771**	1,768	1,765	1,746	1,720
Weighted average number of shares (statutory fully diluted)	(M)	**1,934**	1,895	1,897	1,852	1,816
Weighted average number of shares (cash basis)	(M)	**1,771**	1,769	1,766	1,747	1,721
Weighted average number of shares (cash fully diluted)	(M)	**1,934**	1,896	1,898	1,853	1,817
Number of shareholders [2]		**871,514**	888,214	831,655	851,539	844,527
Share prices for the year						
Trading high	($)	**106. 57**	91. 05	83. 99	85. 12	87. 74
Trading low	($)	**62. 64**	53. 44	65. 23	67. 22	69. 22
End (closing price)	($)	**99. 87**	69. 42	82. 78	72. 87	82. 81

1 Comparative information for 2020 and 2019 has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.
2 Includes employees.

Five-year financial summary (continued)

		30 Jun 21	30 Jun 20 [1]	30 Jun 19 [1]	30 Jun 18	30 Jun 17
Performance ratios from continuing operations						
Return on average Shareholders' Equity						
Statutory	(%)	**11. 8**	10. 4	11. 8	13. 4	15. 4
Cash basis	(%)	**11. 5**	10. 2	12. 0	13. 1	15. 3
Return on average total assets						
Statutory	(%)	**0. 9**	0. 7	0. 8	0. 9	1. 0
Cash basis	(%)	**0. 8**	0. 7	0. 8	0. 9	1. 0
Net interest margin	(%)	**2. 03**	2. 07	2. 09	2. 14	2. 10
Performance ratios including discontinued operations						
Return on average Shareholders' Equity						
Statutory	(%)	**13. 5**	13. 5	12. 6	14. 3	16. 2
Cash basis	(%)	**11. 7**	10. 5	12. 8	14. 4	16. 0
Return on average total assets						
Statutory	(%)	**1. 0**	1. 0	0. 9	1. 0	1. 0
Cash basis	(%)	**0. 8**	0. 7	0. 9	1. 0	1. 0
Capital adequacy – Common Equity Tier 1 – Basel III (APRA)	(%)	**13. 1**	11. 6	10. 7	10. 1	10. 1
Capital adequacy – Tier 1 – Basel III (APRA)	(%)	**15. 7**	13. 9	12. 7	12. 3	12. 1
Capital adequacy – Tier 2 – Basel III (APRA)	(%)	**4. 1**	3. 6	2. 8	2. 7	2. 1
Capital adequacy – Total – Basel III (APRA)	(%)	**19. 8**	17. 5	15. 5	15. 0	14. 2
Leverage Ratio Basel III (APRA)	(%)	**6. 0**	5. 9	5. 6	5. 5	5. 1
Liquidity Coverage Ratio – "Spot Basis"	(%)	**129**	145	129	131	129
Net interest margin	(%)	**2. 03**	2. 08	2. 10	2. 15	2. 11
Other information						
Full-time equivalent employees from continuing operations [1]		**44,375**	41,778	41,458	41,024	42,359
Full-time equivalent employees including discontinued operations		**46,189**	43,585	45,165	45,753	45,614
Branches/services centres (Australia)		**875**	967	1,014	1,082	1,121
Agencies (Australia)		**3,535**	3,547	3,560	3,589	3,664
ATMs		**2,492**	3,542	3,963	4,253	4,398
EFTPOS terminals (active)		**203,938**	190,118	217,608	219,245	217,098
Productivity from continuing operations [1, 2]						
Total operating income per full-time equivalent employee	($)	**544,361**	568,744	568,744	587,729	579,023
Employee expense/total operating income	(%)	**25. 0**	24. 2	24. 2	21. 8	22. 4
Total operating expenses/total operating income ("cash basis")	(%)	**47. 0**	46. 3	46. 2	44. 2	41. 6
Productivity including discontinued operations [1, 2]						
Total operating income per full-time equivalent employee	($)	**539,749**	568,361	568,449	585,033	568,685
Employee expense/total operating income	(%)	**25. 2**	24. 5	25. 4	23. 0	24. 0
Total operating expenses/total operating income ("cash basis")	(%)	**47. 8**	47. 4	47. 6	45. 2	41. 7

1 Comparative information for 2020 and 2019 has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.
2 The productivity metrics have been calculated on a cash basis.

Profit reconciliation

	Full year ended 30 June 2021			
Profit reconciliation	**Net profit after tax "cash basis" $M**	**Gain/(loss) on disposal and acquisition of controlled entities[1] $M**	**Hedging and IFRS volatility $M**	**Net profit after tax "statutory basis" $M**
Group				
Interest income[2]	**24,658**	–	–	**24,658**
Interest expense	**(5,819)**	–	–	**(5,819)**
Net interest income	**18,839**	–	–	**18,839**
Other banking income	**5,007**	242	16	**5,265**
Total banking income	**23,846**	242	16	**24,104**
Funds management income	**165**	–	–	**165**
Insurance income	**145**	–	–	**145**
Total operating income	**24,156**	242	16	**24,414**
Operating expenses	**(11,359)**	(126)	–	**(11,485)**
Loan impairment expense	**(554)**	–	–	**(554)**
Net profit before tax	**12,243**	116	16	**12,375**
Income tax (expense)/benefit	**(3,590)**	67	(9)	**(3,532)**
Non-controlling interests	**–**	–	–	**–**
Net profit after income tax from continuing operations	**8,653**	183	7	**8,843**
Net profit after income tax from discontinued operations[3]	**148**	1,190	–	**1,338**
Net profit after income tax	**8,801**	1,373	7	**10,181**

1 These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserves recycling), and transaction and separation costs associated with the previously announced divestments.
2 Interest income includes total Effective interest income and Other interest income.
3 Statutory Net profit after income tax from discontinued operations is presented net of non-controlling interests.

Profit reconciliation (continued)

Profit reconciliation	Full year ended 30 June 2020 [1] Net profit after tax "cash basis" $M	Gain/(loss) on disposal and acquisition of controlled entities [2] $M	Hedging and IFRS volatility $M	Net profit after tax "statutory basis" $M
Group				
Interest income [3]	30,162	–	–	30,162
Interest expense	(11,552)	–	–	(11,552)
Net interest income	18,610	–	–	18,610
Other banking income	4,837	29	136	5,002
Total banking income	23,447	29	136	23,612
Funds management income	173	–	–	173
Insurance income	141	–	–	141
Total operating income	23,761	29	136	23,926
Operating expenses	(10,996)	(34)	–	(11,030)
Loan impairment expense	(2,518)	–	–	(2,518)
Net profit before tax	10,247	(5)	136	10,378
Income tax (expense)/benefit	(3,022)	75	(43)	(2,990)
Non-controlling interests	–	–	–	–
Net profit after income tax from continuing operations	7,225	70	93	7,388
Net profit after income tax from discontinued operations [4]	182	2,022	–	2,204
Net profit after income tax	7,407	2,092	93	9,592

1 Comparative information has been restated to conform to presentation in the current year and to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1.
2 These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserves recycling), and transaction and separation costs associated with the previously announced divestments.
3 Interest income includes total Effective interest income and Other interest income.
4 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Glossary of terms

Term	Definition
Absenteeism	Absenteeism refers to the average number of sick leave days (and carer's leave days for CommSec employees) per Australia-based full-time equivalent employee. Bankwest is included from FY19. Accompanying sustainability performance metric assured by PwC.
Age diversity	Percentage of permanent employees (full-time, part-time, job share or on extended leave), casuals, employees on international assignment and those contractors paid directly by the Group, by age group as at 30 June (excluding Aussie Home Loans and ASB businesses in New Zealand). Accompanying sustainability performance metric assured by PwC.
Assets Under Management	Assets Under Management (AUM) represents the market value of assets for which the Group acts as an appointed manager.
Australian debt markets (#1)	Based on combined league table credit for Australian Bonds excluding self-led transactions, Australian Syndicated Loans and Australian Securitisation excluding private placements. Source: Bloomberg.
Australian Indigenous supplier spend	Refers to direct (first tier) supplier spend with Indigenous businesses in Australia. It includes any approved invoice (including grants) from an Indigenous business registered or certified by Supply Nation, or is a member of an Indigenous Chamber of Commerce. Accompanying sustainability performance metric assured by PwC.
Board	The Board of Directors of the Group.
Cash contributions	Total donations contributed by the Group (excluding Aussie Home Loans) through charitable gifts, community partnerships and matched giving. Matched giving excludes staff contributions. Accompanying sustainability performance metric assured by PwC.
Chairman	A person chosen to preside over a meeting.
CommBank transactions made digitally (% of total by value)	The total value ($) of transfers and BPAY payments made in digital (NetBank, CommBank mobile app and CommBank tablet app) as a proportion of the total value ($) of transfers in over-the-counter, ATM, EFTPOS and digital transactions over the 12 months to June 2021.
Common Equity Tier 1 Capital (CET1)	The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises Ordinary share capital, Retained earnings and Reserves less prescribed deductions.
Community investment as a percentage of pre-tax profit	Total community investment as a percentage of the Group's cash net profit from continuing operations before tax as at 30 June. Accompanying sustainability performance metric assured by PwC.
Corporations Act	*Corporations Act 2001* (Cth)
Cultural diversity index (CDI)	The concentration mix of all cultures of the Group's employees resulting in an index between 0 and 1, where the higher the score, the more diverse the population. CDI is calculated using demographic information disclosed in the Group's biannual people and culture survey and benchmarked against the ancestry question in the 2016 Australian Census. The CDI excludes Aussie Home Loans, ASB businesses in New Zealand, and businesses in Indonesia. Accompanying sustainability performance metric assured by PwC.
Customer complaints – resolved	The number of complaints resolved in greater than five business days for the Group during the reporting period, as defined by the Australian Securities and Investments Commission Regulatory Guide 165 and recorded in the feedback management system (Firstpoint). Excludes Aussie Home Loans, Bankwest and overseas operations. Accompanying sustainability performance metric assured by PwC.

Glossary of terms (continued)

Term	Definition
Customer satisfaction – Roy Morgan	This represents satisfaction with Main Financial Institution (MFI) based on the relationship with the financial institution as measured by Roy Morgan Research. The figures are six months rolling averages and are based on respondents aged 14+. The measure is the percentage of customers who answered as being either "very satisfied" or "fairly satisfied" with their MFI. Net Promoter Score (NPS) is now the primary metric by which we assess customer satisfaction. Advocacy is measured on a scale of 1 to 10, with 1 being "Very Unlikely" and 10 being "Very likely" to recommend. (Measuring our customers' satisfaction is important as satisfied customers usually return, they tell other people about their experiences, and they may well pay a premium for the privilege of doing business with an institution they trust.) Our aim is to retain our customers by providing quality service to them.
Deferred rights	Deferred rights to ordinary shares in CBA are used for deferred STVR awarded under Executive General Manager arrangements. These equity awards are subject to forfeiture if the Executive ceases to be employed by the Group prior to the vesting date as a result of resignation or serious misconduct, Board risk and reputation review and clawback and malus provisions.
Deferred shares	Awarded from the 2018 financial year, deferred shares are ordinary shares in CBA, which are restricted until vesting and used for deferred STVR arrangements and sign-on awards. These equity awards are subject to forfeiture if the Executive ceases to be employed by the Group prior to the vesting date as a result of resignation or serious misconduct, Board risk and reputation review and clawback and malus provisions.
Dividend payout ratio ("cash basis")	Dividends paid on ordinary shares divided by net profit after tax ("cash basis").
Dividend payout ratio ("statutory basis")	Dividends paid on ordinary shares divided by net profit after tax ("statutory basis").
DPS	Dividends per share.
DRP	Dividend reinvestment plan.
DRP participation	The percentage of total issued capital participating in the dividend reinvestment plan.
Earnings per share (EPS) (basic)	Basic earnings per share is the net profit attributable to ordinary equity holders of the Bank, divided by the weighted average number of ordinary shares on issue during the year per the requirements of relevant accounting standards.
Earnings per share (EPS) (diluted)	Diluted earnings per share adjusts the net profit attributable to ordinary equity holders of the Bank and the weighted average number of ordinary shares on issue used in the calculation of basic earnings per share, for the effects of dilutive potential ordinary shares per the requirements of relevant accounting standards.
Electricity generated from on-site solar panels	Electricity generated during the reporting period from photovoltaic solar panels installed on approximately 91 bank branches. Electricity may be used on site or returned to the grid. Accompanying sustainability performance metric assured by PwC.
Employee engagement index – CBA	The Employee Engagement Index (EEI) measures how engaged our people are including their connection, motivation and commitment to the organisation. EEI is calculated based on the proportion of employees replying with a score of 4 or 5 to five engagement questions in the Group's biannual people and culture survey. These questions relate to pride, advocacy, intent to stay, discretionary effort and work involvement on a scale of 1–5 (where 1 is 'Strongly Disagree' and 5 is 'Strongly Agree'). Bankwest included from September 2020. Excludes Aussie Home Loans and ASB businesses in New Zealand. Accompanying sustainability performance metric assured by PwC.
Employee turnover – involuntary	Refers to all involuntary exits of permanent employees as a percentage of the average permanent headcount paid directly by the Group (full-time, part-time, job share or on extended leave), excluding ASB businesses in New Zealand. Involuntary exits include redundancies and terminations for disciplinary reasons. Accompanying sustainability performance metric assured by PwC.

Term	Definition
Employee turnover – voluntary	Refers to all voluntary exits of permanent employees as a percentage of the average permanent headcount paid directly by the Group (full-time, part-time, job share or on extended leave), excluding ASB businesses in New Zealand. Voluntary exits are determined to be resignations and retirements. Accompanying sustainability performance metric assured by PwC.
Employees who have accessed parental leave	Number of employees eligible for parental leave benefit who had started primary or secondary carer parental leave during the reporting period, as recorded in the Group's human resources system. It excludes Aussie Home Loans, and ASB businesses in New Zealand and employees of discontinued operations. Accompanying sustainability performance metric assured by PwC.
Employees who have returned from parental leave and are still employed after 12 months	The proportion of employees who returned from a period of primary or secondary carer parental leave in the prior year and were still employed after 12 months within the reporting period, as recorded in the Group's human resources system. Excludes employees that returned to a major business or subsidiary that is now a discontinued operation (refer to Note 11.3 on pages 262–263 in the Financial Report for details on discontinued operations). Also excludes Aussie Home Loans and ASB businesses in New Zealand.
Employees who identify as having a disability	The proportion of employees that have confirmed they have a disability in the last 12 months in the Group's biannual people and culture survey. It excludes Aussie Home Loans, and ASB businesses in New Zealand. Accompanying sustainability performance metric assured by PwC.
Employees who identify as LGBTI and gender non-binary	The proportion of employees that identify as Lesbian, Gay, Bisexual, Transgender, Intersex (LGBTI), gender-non binary or other, by nominating one or more of the options in the Group's biannual people and culture survey. It excludes Aussie Home Loans, ASB businesses in New Zealand, and businesses in Indonesia, China, and Singapore. Accompanying sustainability performance metric assured by PwC.
Employees with caring responsibilities	The proportion of employees that have selected any of the caring responsibility options (including, but not limited to, caring for elderly, children, people with chronic conditions, etc.) in the Group's biannual people and culture survey. It excludes Aussie Home Loans, and ASB businesses in New Zealand. Accompanying sustainability performance metric assured by PwC.
Employees working flexibly	The proportion of employees that indicated they have used any of the flexible work options in the Group's biannual people and culture survey. It excludes Aussie Home Loans, ASB businesses in New Zealand, and businesses in Indonesia. Accompanying sustainability performance metric assured by PwC.
Employment type	The number of Australian employees as at 30 June who are permanent employees working in full-time, part-time or casual positions, including job share or on extended leave. It excludes ASB businesses in New Zealand, fixed contractors and contingent workers. Accompanying sustainability performance metric assured by PwC.
Energy Value Chain (EVC)	For the full definition, including definitions of each asset category, refer to pages 304–306. Accompanying exposure balances as at 30 June 2021 assured by PwC.
Environmental, Social and Governance (ESG) training	Number of employees who have completed ESG learning modules, as recorded in CBA's learning management system (PeopleLink) as at 30 June, measured by headcount. This metric excludes Aussie Home Loans, Bankwest and ASB businesses in New Zealand. Accompanying sustainability performance metric assured by PwC.
Escalated complaints to an external dispute resolution (EDR) scheme	Number of complaints escalated to an EDR scheme for the Group, excluding Bankwest and ASB businesses in New Zealand. This includes complaints that have been through the Bank's internal dispute resolution process and have been escalated to an EDR scheme. These complaints are recorded in the Group's feedback management system (Firstpoint) and are managed by Group Customer Relations. EDR schemes include, but are not limited to, the Australian Financial Complaints Authority (AFCA) and the Office of the Australian Information Commissioner (OAIC). Accompanying sustainability performance metric assured by PwC.

Glossary of terms (continued)

Term	Definition
ESG bond arrangement	The full value of all Green, Social, Sustainable, Sustainability-linked and Transition bonds arranged during the 12 months ended 30 June, in which CBA acted as Global Coordinator, Manager/Bookrunner or Lead Arranger (as the roles are defined by Bloomberg). The definition of these bonds are derived from the following sources: • Climate Bond Initiative • International Capital Markets Association These bonds must have received a third party verification or a second party opinion. Accompanying sustainability performance metric assured by PwC.
Executives	Collective term referring to the individuals in the following Executive groups: CEO, Group Executives and CEO ASB.
Expense to income ratio	Represents operating expenses as a percentage of total operating income. The ratio is a key efficiency measure.
Forgone revenue	Forgone revenue consists of the aggregate value of fee-free or discounted CBA products and services during the reporting period to a range of customers; such as, young customers, students, Government benefit recipients, not-for-profit organisations and the elderly. It relates to monthly account fee and transaction fees only and does not include discounts on interest rates. Accompanying sustainability performance metric assured by PwC.
Fuels – natural gas, diesel and transport	Energy from the use of natural gas and diesel in retail and commercial operations, and transport fuels, under CBA's operational control during the reporting period. Accompanying sustainability performance metric assured by PwC.
Full-time equivalent employees (FTE) (page 62)	Total FTE of the Group by geographical work locations as at 30 June. FTE includes full-time, part-time, job share employees, employees on extended leave and contractors. One full-time role is equal to 38 working hours per week. Accompanying sustainability performance metric assured by PwC.
Full-time equivalent staff	Includes all permanent full-time staff, part-time staff equivalents and external contractors employed through third-party agencies.
Funds Under Administration	Funds Under Administration (FUA) represents the market value of funds administered by the Group and excludes AUM.
Gender pay equity – female to male base salary comparison	Gender pay equity is defined as the ratio of weighted average base salary of males and females for Australia-based employees of the Group, as at 31 March. The data reflects roles in similar functions, role scope and responsibilities. The data refers to permanent employees who are full-time, part-time, job sharing or on extended leave. It excludes the CEO, Board members, contractors, casual employees, seconded employees and employees who have not responded with a defined gender. Accompanying sustainability performance metric assured by PwC.
Graduates	The number of graduates who accepted and commenced in a graduate position with CBA or Bankwest under the Talent Acquisition program. Graduate positions commence in February each year. Accompanying sustainability performance metric assured by PwC.

Term	Definition
Greenhouse gas emissions:	
Scope 1 emissions	Relates to the consumption of natural gas, stationary fuel and refrigerants used in retail, commercial and data centre properties under the Group's operational control, and business use of Tool of Trade vehicles. Emissions are calculated using the relevant emissions factors noted in the regional definitions below. Accompanying sustainability performance metric assured by PwC.
Scope 2 emissions	Emissions from the electricity used by ATMs, retail, commercial, residential and data centre properties under the Group's operational control. Emissions are calculated using the relevant emission factors noted in the regional definitions below. Accompanying sustainability performance metric assured by PwC.
Scope 3 emissions	Indirect greenhouse gas emissions as a result of sources outside the Group's operational control, but support the Group's business activities. It includes rental car and taxi use, business use of private vehicles, business flights, hotel accommodation, water, waste, couriers, emissions associated with employees working from home and emissions associated with electricity and diesel consumption at data centres not under CBA's operational control, base building emissions. Emissions are calculated using the relevant emission factors noted in the regional definitions below. Accompanying sustainability performance metric assured by PwC.
Scope 1 and 2 emissions per FTE	Greenhouse gas emissions intensity based on total Scope 1 and 2 emissions for the Group or by geographical locations, and divided by the relevant FTE number. Calculations for FY21 exclude the reclassified Scope 2 emissions from the two data centres now under operational control. Accompanying sustainability performance metric assured by PwC.
Scope 2 emissions (market based emissions)	Emissions from the electricity used by ATMs, retail, commercial, residential and data centre properties under the Group's operational control. Emissions based on greenhouse gas emissions emitted by the generators from which CBA has contractually purchased electricity bundled with Large Generation Certificates (LGCs). Accompanying sustainability performance metric assured by PwC.
Scope 1, 2 and 3 emissions – Australia	Australian emissions are based on emission factors sourced from Climate Active Carbon Neutral Standard (2021), National Greenhouse Accounts Factors (NGA) (2020) and DEFRA (2020). Accompanying sustainability performance metric assured by PwC.
Scope 1, 2 and 3 emissions – New Zealand	New Zealand emissions are based on emission factors sourced from Ministry for Environment NZ, Measuring Emissions: A Guide for Organisations (2020) and BEIS (2020). In FY20, ASB businesses in New Zealand have reclassified a portion of their leased fleet fuel usage from Scope 3 emissions to Scope 1 emissions. Accompanying sustainability performance metric assured by PwC.
Scope 1, 2 and 3 emissions – Other overseas	Other overseas emissions are estimated by multiplying the Australian emissions per FTE as at 30 June by the number of FTEs of all the Group's other overseas offices. Accompanying sustainability performance metric assured by PwC.
Group	Commonwealth Bank of Australia and its subsidiaries.
Group Executive (GE)	Members of the Executive Leadership Team (excludes the CEO and the CEO ASB).
Headcount	Total number of employees, including permanent headcount (full-time, part-time, job share, on extended leave), and contractors (fixed term arrangements) paid directly by the Group as at 30 June. Accompanying sustainability performance metric assured by PwC.
Health, safety and wellbeing training	Number of employees who completed health, safety and wellbeing training, as recorded in the Group's learning management system (PeopleLink) as at 30 June, measured by headcount. Excludes Aussie Home Loans, Bankwest and ASB businesses in New Zealand. Accompanying sustainability performance metric assured by PwC.
Indigenous Customer Assistance Line (calls received)	Number of calls received via the dedicated Indigenous Customer Assistance Line (ICAL) during the 12 months to 30 June. It excludes calls that were abandoned by customers. Accompanying sustainability performance metric assured by PwC.

Glossary of terms (continued)

Term	Definition
Indigenous workforce	Represents the proportion of employees that have indicated they most strongly identify with Australian Aboriginal and/or Torres Strait Islander ancestry in the Group's biannual people and culture survey. It excludes Aussie Home Loans, ASB businesses in New Zealand, and businesses in Indonesia. Aboriginal and Torres Strait Islander representation in Australia is based on the 2016 Australian Census. Accompanying sustainability performance metric assured by PwC.
Interest Rate Risk in the Banking Book (IRRBB)	Interest Rate Risk in the Banking Book is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted by changes in interest rates. This is measured from two perspectives: quantifying the change in the net present value of the Balance Sheet's future earnings potential, and the anticipated change to the Net Interest Income earned over 12 months. This calculation is driven by APRA regulations with further detail outlined in the Group's Basel III Pillar 3 report.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.
Long-Term Alignment Remuneration (LTAR)	Remuneration that is subject to a pre-grant assessment and vests subject to vesting conditions after a period of four and five years for the CEO, and four years for Group Executives.
Long-Term Variable Remuneration (LTVR)	A variable remuneration arrangement that grants instruments to participating Executives that may vest over a period of four years if performance hurdles are met.
Lost Time Injury Frequency Rate (LTIFR)	LTIFR is the reported number of occurrences of lost time arising from injury or disease that have resulted in an accepted workers compensation claim, for each million hours worked by Australia and New Zealand employees. The metric captures claims relating to permanent, casual and contractors paid directly by the Group. It is reported using the information available as at 30 June. Prior year numbers have been re-stated due to claims received after year-end reporting date. New Zealand employees included from FY18. Accompanying sustainability performance metric assured by PwC.
Low carbon funding	For the full definition, including definitions of each asset category, refer to pages 307–308. Accompanying sustainability performance metric assured by PwC.
Low carbon funding – Renewable energy exposure	For full definition, refer to page 307. Accompanying sustainability performance metric assured by PwC.
Main Financial Institution (MFI) for more than 1 in 3 Australians	MFI Share measures the proportion of Banking and Finance MFI Customers that nominated each bank as their Main Financial Institution. Main Financial Institution (MFI) definition: In the Roy Morgan Single Source Survey MFI is a customer determined response where one institution is nominated as the primary financial institution they deal with (when considering all financial products they hold). Peers include ANZ Group, NAB Group and Westpac Group (including St George Group). CBA Group includes Bankwest. Source: Roy Morgan Single Source survey conducted by Roy Morgan, Australian population 14+ (12 month averages to June 2021), excl. unable to identify MFI. Roy Morgan has re-calibrated the results from April 2020 to March 2021 to take into account methodology changes since COVID-19. This has resulted in small differences to some of the previously published figures.
Misconduct breaches resulting in termination	Represents closed substantiated misconduct cases which resulted in termination and were managed in Australia by the Workplace Relations and Group Investigations teams. Various policies within the Group govern staff conduct obligations, including the 'Code of Conduct' which is the guiding framework for the Group. It excludes incidents reported by local associates and joint ventures. Accompanying sustainability performance metric assured by PwC.
Mobile banking (#1)	Mobile banking: CBA won Canstar's Bank of the Year – Mobile Banking award for 2021 (for the 6th year in a row). Awarded June 2021.
Most Innovative Major Bank (#1)	DBM Australian Financial Awards – Most Innovative Major Bank. Presented March 2021. Award based on DBM Atlas data January to December 2020.

Term	Definition
Net profit after tax ("cash basis")	Represents net profit after tax and non-controlling interests before non-cash items including hedging and IFRS volatility, and losses or gains on acquisitions, disposal, closure and demerger of businesses. This is Management's preferred measure of the Group's financial performance.
Net profit after tax ("statutory basis")	Represents net profit after tax and non-controlling interests, calculated in accordance with Australian Accounting Standards. This is equivalent to the statutory item "Net profit attributable to Equity holders of the Bank".
Net Promoter Score (NPS)	NPS is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.
Net Stable Funding Ratio (NSFR)	The NSFR more closely aligns the behaviour terms of assets and liabilities. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an Authorised Deposit-taking Institution's (ADI) capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off Balance Sheet activities.
Net tangible assets per share	Net assets excluding intangible assets, non-controlling interests and other equity instruments divided by ordinary shares on issue at the end of the period (excluding Treasury Shares deduction). Right of use assets are included in net tangible assets per share.
Non-Executive Director	Key Management Personnel who are not Executives.
NPS – ASB – Business and rural banking	Business Finance Monitor (BFM) Net Promoter Score measures the net likelihood of recommendation to others of the business or rural customer's main financial institution. Using a scale of 1 to 10 (1 means 'extremely unlikely' and 10 means 'extremely likely'), the 1–6 raters (detractors) are deducted from the 9–10 raters (promoters). Four quarter rolling average data is used. The ranking refers to ASB's position relative to the other three main New Zealand banks.
NPS – ASB – Retail banking	Retail Market Monitor (RMM) measures the net likelihood of recommendation to others of the customer's main financial institution. Using a scale of 1 to 10 (1 means 'extremely unlikely' and 10 means 'extremely likely'), the 1–6 raters (detractors) are deducted from the 9–10 raters (promoters). 12 month rolling average data is used. The ranking refers to ASB's position relative to the other four main New Zealand banks.
NPS – Bankwest – Business	DBM Business Main Financial Institution (MFI) Net Promoter Score. Australian businesses rating their Main Financial Institution for Business Banking. Net Promoter Score refers to customer likelihood to recommend their MFI using a scale from 0–10 (where 0 is 'Extremely unlikely' and 10 is 'Extremely likely') and NPS is calculated by subtracting the percentage of Detractors (scores 0–6) from the percentage of Promoters (scores 9–10). NPS results are shown as a 6 month rolling average. NPS is reported for each brand, therefore CBA excludes Bankwest, and Westpac excludes St George.
NPS – Bankwest – Consumer	DBM Consumer Main Financial Institution (MFI) Net Promoter Score. Australian Population 14+ (from Jan 17; 18+ for data prior). Refers to customers' likelihood to recommend their MFI using a scale from 0–10 (where 0 is 'Not at all likely' and 10 is 'Extremely likely') and is calculated by subtracting the percentage of Detractors (scores 0–6) from the percentage of Promoters (scores 9–10). Note that percentage signs are not used to report NPS 6 month rolling average. NPS is reported for each brand, therefore CBA excludes Bankwest, and Westpac excludes St George.
NPS – CBA – Business	DBM Business Main Financial Institution (MFI) Net Promoter Score. Australian businesses rating their Main Financial Institution for Business Banking. Net Promoter Score refers to customer likelihood to recommend their MFI using a scale from 0–10 (where 0 is 'Extremely unlikely' and 10 is 'Extremely likely') and NPS is calculated by subtracting the percentage of Detractors (scores 0–6) from the percentage of Promoters (scores 9–10). NPS results are shown as a 6 month rolling average. For the major banks, NPS is reported for main brand only.

Glossary of terms (continued)

Term	Definition
NPS – CBA – Consumer	DBM Consumer Main Financial Institution (MFI) Net Promoter Score. Australian Population 14+ (from Jan 17; 18+ for data prior). Refers to customers' likelihood to recommend their MFI using a scale from 0–10 (where 0 is 'Not at all likely' and 10 is 'Extremely likely') and is calculated by subtracting the percentage of Detractors (scores 0–6) from the percentage of Promoters (scores 9–10). Note that percentage signs are not used to report NPS 6 month rolling average. CBA excludes Bankwest and Westpac excludes St George.
NPS – CBA – Mobile banking app	DBM Main Financial Institution (MFI) Mobile Banking Net Promoter Score. Based on Main Financial Institution (MFI) customers rating their likelihood to recommend their MFI Mobile Banking App used in the last 4 weeks. NPS refers to customer likelihood to recommend their MFI's Mobile Banking App using a scale from 0–10 (where 0 is 'Not at all likely' and 10 is 'Extremely likely') and NPS is calculated by subtracting the percentage of Detractors (scores 0–6) from the percentage of Promoters (scores 9–10). NPS results are shown as a six-month rolling average. For the major banks, NPS is reported for main brand only.
NPS – CBA – Online banking	DBM Main Financial Institution (MFI) Online Banking Net Promoter Score. Based on Main Financial Institution (MFI) customers rating their likelihood to recommend their MFI Online Banking used in the last 4 weeks. NPS refers to customer likelihood to recommend their MFI's Online Banking using a scale from 0–10 (where 0 is 'Not at all likely' and 10 is 'Extremely likely') and NPS is calculated by subtracting the percentage of Detractors (scores 0–6) from the percentage of Promoters (scores 9–10). NPS results are shown as a 6-month rolling average. For the major banks, NPS is reported for main brand only.
Office paper	A3 and A4 office paper used in retail and commercial operations under the Group's operational control. Invoiced reams of paper used to estimate usage as a weight. Excludes operations outside Australia. Accompanying sustainability performance metric assured by PwC.
Online banking (#1)	Online banking: CBA won Canstar's Bank of the Year – Online Banking award for 2021 (for the 12th year in a row). Awarded June 2021.
Other overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
Overall digital experience leader (5 years in a row)	The Forrester Digital Experience Review™: Australian Mobile Banking Apps, Q3 2021. Commonwealth Bank of Australia was named the Overall Digital Experience Leader™ among mobile apps in Australia in Forrester's proprietary Digital Experience Review™. Forrester Research does not endorse any company included in any Digital Experience Review™ report and does not advise any person or organization to select the products or services of any particular company based on the ratings included in such reports.
Privacy complaints	Number of privacy related complaints escalated to the Office of the Australian Information Commissioner (OAIC) for the Group, excluding Aussie Home Loans, Bankwest and ASB businesses in New Zealand. This includes complaints that have been through the Bank's internal dispute resolution process and have escalated to the OAIC, or have been raised directly with the OAIC. These complaints are recorded in the Group's feedback management system (Firstpoint) and are managed by Group Customer Relations. Accompanying sustainability performance metric assured by PwC.
Profit after capital charge (PACC)	The Group uses PACC, a risk-adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
Program implementation costs	Total costs incurred by the Group to implement community investment programs and manage the Indigenous Customer Assistance Line call centre, the Corporate Affairs team, Women in Focus, school programs as well as other not-for-profit activities. These costs include salary and wages, occupancy, IT and other administration costs. It excludes Aussie Home Loans. Accompanying sustainability performance metric assured by PwC.
Purchased electricity	Purchased electricity used in Australian retail and commercial properties under operational control, two data centres under operational control and two data centres outside operational control. Accompanying sustainability performance metric assured by PwC.

Term	Definition
Renewable energy via power purchase agreements or retail contracts	Energy value of purchased electricity that has been sourced through power purchase agreements or renewable electricity retail contracts. Accompanying sustainability performance metric assured by PwC.
RepTrak score	The RepTrak Company (formerly Reputation Institute), June 2021. CBA reputation score, and the average of 16 selected ASX customer-facing companies.
Restricted Share Units (RSU)	Rights to ordinary shares in CBA granted under the LTAR and subject to vesting conditions.
Return on equity – cash basis	Based on cash 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 the treasury shares deduction relating to life insurance statutory funds.
Return on equity – statutory basis	Based on net profit after tax ("statutory basis") less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests and other equity instruments.
Rights	Rights to ordinary shares in CBA granted under LTVR award and subject to performance hurdles.
School banking students (active)	The number of active students who participated in the Commonwealth Bank's School Banking program during the 12 months to 30 June. Active students are those who banked at least once during the 12 month period through the School Banking Portal under the School Banking program. Accompanying sustainability performance metric assured by PwC.
Scope 1&2 greenhouse gas (GHG) emissions reduction	The Scope 1&2 target is based on a 1.5 degree trajectory, requiring 4.2% annual linear contraction. Emissions relate to the consumption of Natural Gas, Stationary Fuel, Refrigerant and Electricity used in retail, commercial and data centre properties under the Group's operational control, and business use of Tool of Trade vehicles. Australian electricity emissions are zero as the equivalent of 100% of our Australian operational electricity needs have been sourced from renewable sources. Only electricity is included in Other Overseas emissions due to data limitations. For more information on this target refer to the Sustainability performance metrics excel spreadsheet at commbank.com.au/CRreporting.
Short-Term Variable Remuneration (STVR)	Variable remuneration paid subject to the achievement of predetermined performance hurdles over one financial year.
SpeakUP Program cases	Number of SpeakUP cases recorded in the Group's SpeakUP Program during the 12 months to 30 June. The reports include both whistleblower and non-whistleblower disclosures. Accompanying sustainability performance metric assured by PwC.
Start Smart students (booked)	Number of students booked to attend the Commonwealth Bank's Start Smart financial education programs during the 12 months to 30 June. Start Smart sessions cover a range of topics and the same student may be booked to attend a number of sessions. Includes face-to-face and online delivery. Accompanying sustainability performance metric assured by PwC.
Substantiated misconduct cases	Represents closed substantiated misconduct cases managed in Australia by the Workplace Relations and Group Investigations teams. Various policies within the Group govern staff conduct obligations, including the 'Code of Conduct' which is the Group's guiding framework. It excludes incidents reported by local associates and joint ventures. Accompanying sustainability performance metric assured by PwC.
Time volunteering	Total estimated cost of volunteering hours contributed by Australia-based CBA and Bankwest employees through volunteering activities as captured in the Group's volunteering database. Average hourly rates are calculated using Australia-based permanent employees' salaries as at 30 June, excluding the salary of the executive leadership and management teams. Accompanying sustainability performance metric assured by PwC.

Glossary of terms (continued)

Term	Definition
Total Committed Exposure (TCE)	Total Committed Exposure is defined as the balance outstanding and undrawn components of committed facility limits. It is calculated before collateralisation and excludes settlement exposures on derivatives.
Training completion rates – Code of Conduct	Percentage of employees who have been assigned or completed the 'Code of Conduct' learning module recorded in the Group's learning management system (PeopleLink) as at 30 June. This metric excludes the training completion rates of the employees of Aussie Home Loans and ASB Businesses in New Zealand. In FY21 methodology changed to include employees who have been assigned 'Code of Conduct' learning with a due date after 30 June. FY20 has been restated. Numbers prior to FY19 are for completion of 'Our Commitments' training. Accompanying sustainability performance metric assured by PwC.
Training completion rates – mandatory learning	Percentage of employees who have been assigned or completed the Group mandatory learning modules recoded in the Group's learning management system (PeopleLink) as at 30 June. This metric excludes the training completion rates of the employees of Aussie Home Loans and ASB Businesses in New Zealand. In FY21 methodology changed to include employees who have been assigned mandatory learning with a due date after 30 June. All prior year numbers have been restated. The Group's mandatory learning modules are Code of Conduct; Conflicts of Interest; Valuing Privacy; Health, Safety and Wellbeing; Workplace Conduct (which includes Sexual Harassment); Group Securities Insider Trading; Financial Crime (which includes Anti-Bribery and Corruption, Anti-Money Laundering and Counter-Terrorism Financing); Fraud; Customer Complaints; Information Security; and The Group Risk Management Approach. Accompanying sustainability performance metric assured by PwC.
Training hours per employee	Average completed training hours per employee recorded in CBA's learning management system (PeopleLink) as at 30 June, measured by headcount. Training hours are allocated to each training item such as face-to-face or online training, excludes external training and video training. Executive Managers, General Managers, Executive General Managers and the Chief Executive Officer are included in 'Executive Managers and above' and 'Others' includes team managers and team members. This metric excludes the training completion rates of the employees of Aussie Home Loans, Bankwest and ASB businesses in New Zealand. Accompanying sustainability performance metric assured by PwC.
Upstream Scope 3 greenhouse gas (GHG) emissions (excluding financed emissions) reduction	The Scope 3 target is based on a well below 2 degree trajectory, requiring a 2.5% annual linear contraction. To ensure the baseline is representative of a typical year, Scope 3 Business Travel emissions are adjusted to FY19 values to normalise for the impacts of the COVID-19 pandemic. Includes indirect greenhouse gas emissions as a result of sources outside the Group's operational control, but support the Group's business activities. Base building, Business Use of Private Vehicles and Work From Home emissions are excluded. Due to data limitations New Zealand emissions exclude upstream Stationary and Transport fuels, and Courier emissions. Only Flight emissions are included for Other Overseas due to data limitations. For more information on this target refer to the Sustainability performance metrics excel spreadsheet at commbank.com.au/CRreporting.
Waste (commercial operations) – landfill	Tonnes of waste to landfill generated per annum from CBA and Bankwest commercial buildings under our operational control in Australia. As at 30 June 2021, 82% of waste to landfill data is based on invoiced amounts, the remainder is estimated based on an average tonnes per m2 of net lettable area (NLA). Invoiced amounts are estimated by the total number of bin lifts using density conversion factors or actual weighed amounts where available. From FY18, organic waste stream is diverted from waste to landfill to waste recycled for properties where data can be reported separately. Accompanying sustainability performance metric assured by PwC.
Waste (commercial operations) – recycled	Tonnes of recycled waste generated per annum from CBA and Bankwest buildings under our operational control in Australia. 75% of waste recycled data is based on invoiced amounts, the remainder is estimated based on an average tonnes per m2 of NLA. Invoiced amounts are estimated by the total number of bin lifts using density conversion factors or actual weighed amounts where available. From FY18, organic waste stream is diverted from waste to landfill to waste recycled for properties where data can be reported separately. Accompanying sustainability performance metric assured by PwC.

Term	Definition
Waste (commercial operations) – secure	Tonnes of secured waste collected from CBA and Bankwest commercial buildings under CBA's operational control, and destroyed in a secure process to protect privacy. Based on invoiced volumes which are estimated based on an average weight per bin collected. Accompanying sustainability performance metric assured by PwC.
Water	Water consumption includes tenanted usage from CBA and Bankwest commercial buildings in Australia. As at 30 June 2021, 83% of water usage is based on invoiced amounts, the remainder is estimated based on an average usage per m2 of net lettable area. From FY18, water related metrics are reported on all commercial buildings. FY17 were reported for nine commercial buildings. It includes invoiced water use for the two data centres that are under the Group's operational control. Accompanying sustainability performance metric assured by PwC.
Weighted average number of shares ("cash basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investment in the Bank's shares held by the employee share scheme trust.
Weighted average number of shares ("statutory basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investments in the Bank's shares held by both the life insurance statutory funds and by the employee share scheme trust.
Whistleblower cases	Number of whistleblower cases on-boarded into the Group's SpeakUP Program during the 12 months to 30 June. Accompanying sustainability performance metric assured by PwC.
Women in Executive Manager and above roles	The percentage of roles at the level of Executive Manager and above filled by women, in relation to the total headcount at these levels as at 30 June. Excludes ASB businesses in New Zealand. Accompanying sustainability performance metric assured by PwC.
Women in Manager and above roles	The percentage of roles at the level of Manager and above (including Branch Managers) filled by women, in relation to the total headcount at this level as at 30 June. Excludes ASB businesses in New Zealand. Accompanying sustainability performance metric assured by PwC.
Women in Senior Leadership (Group Executives)	The percentage of executive roles that are currently filled by women as at 30 June. These roles are direct reports of the Chief Executive Officer with authority and responsibility for planning, directing and controlling the Group's activities. In FY21 the methodology changed to include ASB businesses in New Zealand. FY20 and FY19 have been restated. Prior to FY19 the role of Chief Executive and Managing Director, ASB Bank Ltd was not considered Key Management Personnel. FY18 and FY17 are not comparable. For the list of current executives, please refer to pages 76–77.
Women in workforce	The percentage of roles filled by women, in relation to the total headcount as at 30 June. Excludes ASB businesses in New Zealand. Accompanying sustainability performance metric assured by PwC.

Energy Value Chain (EVC)

The Energy Value Chain reports the financing provided to certain energy-related sectors as at 30 June.

The reported amounts are based on total committed exposure (TCE), excluding Commitment at Offer and trading securities exposures. Exposure amounts have not been netted off against any insurance or guarantees that mitigate the Group's risk exposure to clients.

Domestic and offshore exposures are included. An exposure that is at the head company level, or benefits from a parent company guarantee, can still be classified into one of the categories if the purpose of the product is to be used for the needs of certain assets/projects/subsidiaries of the counterparty that fit the criteria for the category. Where a counterparty has business activities that fit in multiple categories (mainly in Oil & Gas and Diversified Mining), the exposure is allocated to the categories based on percentage contribution of each category to the client's EBITDA (where available) or revenue.

The following table provides more detail of the assets that are included in the scope of this report.

Metric category	Metric	Included assets	Exclusions	Exposure type
Oil	Oil extraction	Entities whose principal operations include the exploration and development of oil fields for the purposes of extracting and producing crude oil.		TCE with adjustments as described above
Gas	Gas extraction	Entities whose principal operations include exploration, ownership, development and management of gas fields, that are utilised for the purposes of natural gas production.		TCE with adjustments as described above
Thermal Coal	Thermal Coal Mining	Entities that own or operate mines to develop and produce predominantly thermal coal. Where a coal mining entity produces a mix of thermal and metallurgical coal, the total exposure will be allocated to the category with the greatest share of the production mix.	Excludes exposures under $1 million in the Coal Mining ANZSIC	TCE with adjustments as described above
Thermal coal exposure within diversified miners	Pro-rata exposure to miners with significant thermal coal business	Calculated as the Group's exposure to the miner, excluding exposure to thermal coal subsidiaries, multiplied by the percentage EBITDA contribution of thermal coal in its latest annual financial statements.	Exposures to thermal coal subsidiaries of diversified miners, i.e. subsidiaries whose business activities are predominantly related to thermal coal mining, are allocated to thermal coal.	TCE with adjustments as described above
Liquified Natural Gas (LNG) terminals	LNG terminals	Entities that own and operate shipping ports, terminals and infrastructure that are specifically developed and used for the liquefaction / regasification, storage and transportation of liquefied natural gas.		TCE with adjustments as described above
Coal terminals	Coal terminals	Entities that operate ports and terminals that are principally used for the purposes of transporting and exporting coal. The businesses within this sector do not produce coal, but specifically provide transportation and storage facilities for coal producers and exporters.		TCE with adjustments as described above
Electricity Generation – Gas	Gas-fired electricity generation	1. Entity's main business is electricity generation (more than 50% of EBITDA derived from electricity generation), and 2. At least 90% of the generation is gas-fired	Excludes exposures under $1 million	TCE with adjustments as described above

Metric category	Metric	Included assets	Exclusions	Exposure type
Electricity Generation – Renewables	Large scale renewable energy projects including wind, solar and hydro	1. Entity's main business is electricity generation (more than 50% of EBITDA derived from electricity generation), and 2. At least 90% of the generation is sourced from the following: – Wind – Solar (photovoltaics, concentrated solar power / solar thermal) – Hydro – Geothermal – Wave – Tidal – Landfill gas (if asset is classified as an eligible generator under the Australian Renewable Energy Target (RET)) – Any other asset classified as an eligible generator under the RET or other Australian energy policy	Excludes exposures under $1 million	TCE with adjustments as described above
Electricity Generation – Coal	Coal-fired electricity generation	1. Entity's main business is electricity generation (more than 50% of EBITDA derived from electricity generation), and 2. At least 90% of the generation is coal-fired	Excludes exposures under $1 million	TCE with adjustments as described above
Electricity and gas transmission, distribution and retailing	Electricity and gas transmission, distribution and retailing	Entities whose operations involve transmitting and distributing electricity and gas, or providing retail electricity and gas products to end-customers. This includes entities that may operate across the electricity and gas supply chain and not exclusively in either the transmission, distribution, or retailing parts of the supply chain. This category also includes entities which operate domestic gas pipeline, processing and storage facilities, and entities which have some electricity generation capacity but do not fit under one of the "Electricity Generation" categories. Examples include vertically integrated gentailers, and generators with a diverse mix of fuel type/technologies.	Excludes exposures under $1 million	TCE with adjustments as described above
Oil distribution and refining	Oil distribution and refining	Entities whose operations include the distribution and refining of oil into petroleum products.		TCE with adjustments as described above
Other energy-related exposures	Other energy-related exposures	Exposures to wholesale energy trading entities, as well as exposures under $1 million in the Gas Supply and Electricity related ANZSICs where classification is unclear. This is shown in the footnote, not in the main diagram of the EVC.		TCE with adjustments as described above

Energy Value Chain (EVC) (continued)

Metric category	Metric	Included assets	Exclusions	Exposure type
Metallurgical Coal	Metallurgical Coal Mining	Entities that own or operate mines to develop and produce predominantly Metallurgical coal. Where a coal mining entity produces a mix of thermal and metallurgical coal, the total exposure will be allocated to the category with the greatest share of the production mix. This is shown in the footnote, not in the main diagram of the EVC.	Excludes exposures under $1 million in the Coal Mining ANZSIC	TCE with adjustments as described above
Metallurgical coal exposure within diversified miners	Pro-rata exposure to miners with significant Metallurgical coal business	Calculated as the Group's exposure to the miner, excluding exposure to Metallurgical coal subsidiaries, multiplied by the percentage EBITDA contribution of Metallurgical coal in its latest annual financial statements. This is shown in the footnote, not in the main diagram of the EVC.	Exposures to Metallurgical coal subsidiaries of diversified miners, i.e. subsidiaries whose business activities are predominantly related to Metallurgical coal mining, are allocated to Metallurgical coal.	TCE with adjustments as described above

Low Carbon Funding Target

Target: Fund $15 billion towards low carbon projects by 2025.

Low carbon funding is financing provided to low carbon assets in line with the $15 billion target, based on total committed exposure (TCE) or total drawn lending facility (TDLF) as at 30 June 2021.

Asset categories include large-scale renewable energy projects, low carbon commercial buildings (6 star NABERS rating), low carbon transport and energy efficient assets. The following table provides more detail of the assets that are included in the scope of this target:

Metric category	Metric	Included assets	Exclusions	Exposure type
Renewable energy	Large scale renewable energy projects including wind, solar and hydro	1. Domestic and offshore assets 2. Entity's main business is electricity generation (more than 50% of EBITDA derived from electricity generation), and 3. At least 90% of the generation is sourced from the following: – Wind – Solar (photovoltaics, concentrated solar power/solar thermal) – Hydro – Geothermal – Wave – Tidal – Landfill gas (if asset is classified as an eligible generator under the Australian Renewable Energy Target) – Any other asset classified as an eligible generator under the RET or other Australian energy policy 4. An exposure that is at the head company level, or benefits from a parent company guarantee, can still be included if the purpose of the CBA product is to be used for the needs of certain assets/projects/subsidiaries of the counterparty that fit the above criteria 5. Includes new financing or refinancing	Excludes exposures under the value of $1 million.	TCE excluding Commitment at Offer and trading securities exposures. Exposure amounts have not been netted off against any insurance or guarantees that mitigate CBA's risk exposure to clients.
Low carbon transport	Large-scale low carbon transport and related infrastructure	1. Low Carbon/Clean Transport defined as the following public/private vehicles: – Electric passenger and freight vehicles – Hydrogen passenger and freight vehicles – Hybrid fuel efficient passenger and freight vehicles – Trains: Non-diesel rolling stock and vehicles for electrified public transport, such as electrified trams, trolleybuses and cable cars – Buses: electric or hydrogen buses – Other alternative fuel vehicles 2. Supporting infrastructure defined as the following: – Dedicated charging and alternative fuel infrastructure – Dedicated infrastructure for electrified transport – Public walking and cycling infrastructure and cycling schemes – Bus Rapid Transit Systems – All infrastructure for electrified freight rail	Excludes exposures under the value of $20 million.	TDLF

Low Carbon Funding Target (continued)

Metric category	Metric	Included assets	Exclusions	Exposure type
Low carbon commercial buildings	6 Star NABERS rated commercial green buildings	1. Buildings that are used for commercial purposes such as office space 2. Buildings that are 6 Star NABERS rated at time of origination - refinancing does not impact this assessment. Where origination date is unknown, NABERS assessment undertaken as at reporting date 3. Apportionment undertaken on loans with multiple underlying securities so that only the security that satisfies the definition are captured (apportionment based on property value of the security that satisfies the definition) 4. Includes new financing or refinancing.		TCE
Energy efficiency	Asset finance for assets that improve energy efficiency or generate renewable energy	1. Assets funded through the Clean Energy Finance Corporation (CEFC). Includes Energy Efficient Loans (EEL) CEFC and Energy Efficient Finance (EEF) CEFC programs. 2. Assets funded by CBA's Energy Efficient Loans (EEL) program. 3. Assets that comply with the Emissions Reduction Fund methodologies. 4. Small scale renewable energy projects that are not reported in the large-scale renewable energy category.	Excludes exposure to assets reported under other categories.	TDLF

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