2019 Annual Report

CommonwealthBank

Inside this report

We have integrated our financial and non-financial reporting to provide information on all aspects of our performance.

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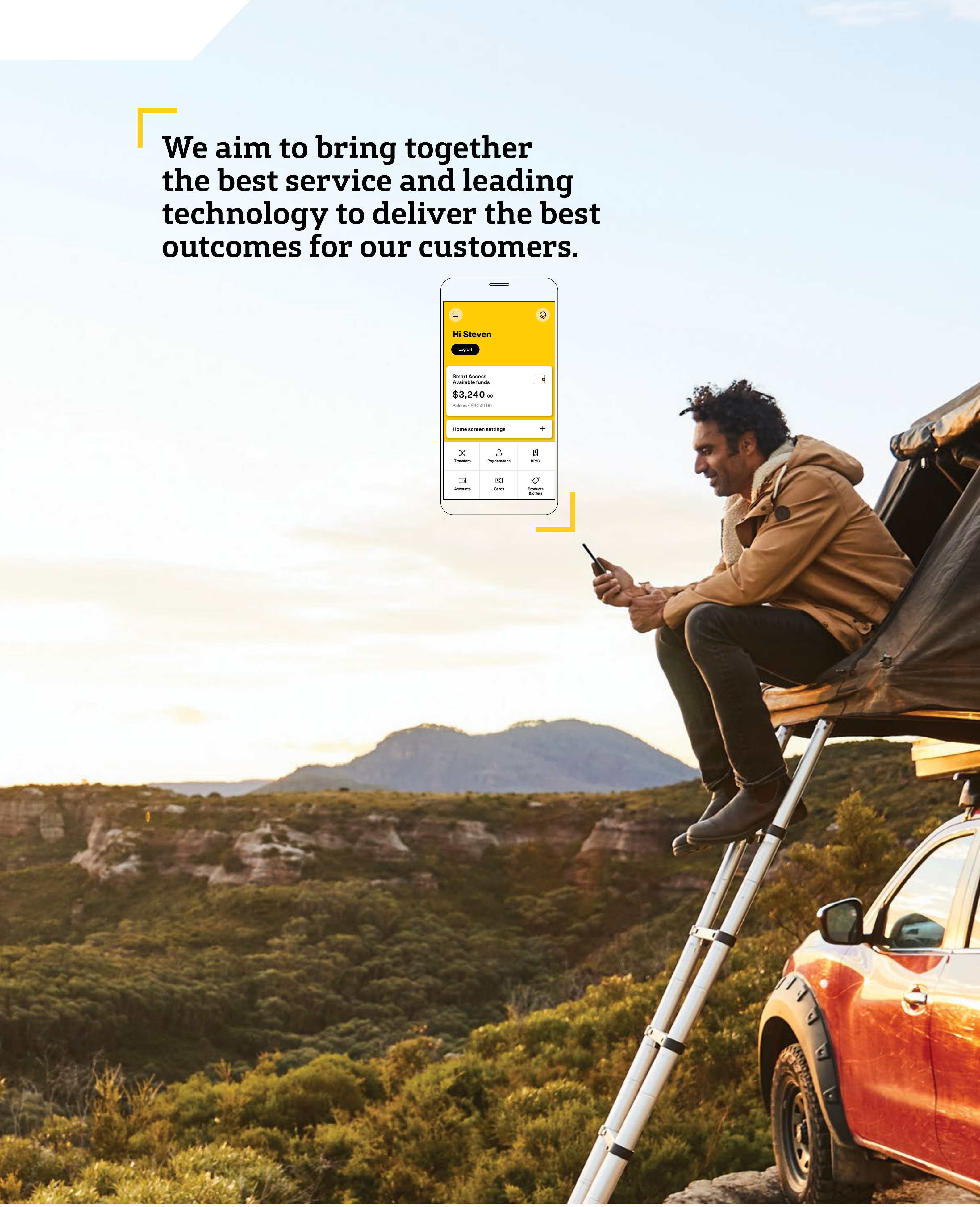
Commonwealth Bank of Australia
ACN 123 123 124

We aim to bring together the best service and leading technology to deliver the best outcomes for our customers.



Our business

Our purpose

Our purpose is to improve the financial wellbeing of our customers and communities.

Our values

We are guided by our values:

- We do what is right
- We are accountable
- We are dedicated to service
- We pursue excellence
- We get things done

Our strategy

Our strategy is to become a simpler, better bank that delivers balanced and sustainable outcomes for our customers, community, our people and shareholders.

Our execution priorities are:

- Simplify our business
- Lead in retail and commercial banking
- Best in digital

Our business areas

- Retail Banking Services
- Business and Private Banking
- Institutional Banking and Markets
- Wealth Management
- ASB New Zealand
- International Financial Services

Our brands

Our brands include some of the best known names in financial services in Australia and New Zealand.

Our strengths[1]

Market leadership

- Main financial institution for 1 in 3 Australians
- Leading market share in home lending, household deposits and credit cards
- Leading payments provider with largest merchant base

Customer reach

- 17.4 million customers, including the highest share of youth and new migrant segments
- Largest branch network in Australia and Australia-based call centres
- 7.0 million active digital customers, #1 for online and mobile banking *(Canstar)*

Talent

- 48,238 employees
- Gender diverse leadership – 50% of Board Directors are female
- Workforce is more culturally diverse than the Australian population

Innovation

- Real-time core banking platform
- #1 mobile banking app in Australia *(Forrester)*
- Leading data and analytics capabilities

Financial strength

- 830,000+ shareholders
- Deposit funding 69%
- Common Equity Tier 1 capital ratio of 10.7% (APRA), 16.2% (International)

Sustainability

- Committed to sustainable and responsible business practices
- Report in line with the recommendations of the Task Force on Climate-related Financial Disclosures
- Listed on DJSI Asia Pacific

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[1] For source information see the *Glossary* on page 309.

The financials are presented on a continuing operations basis except statutory profit, dividend per share and the Common Equity Tier 1 capital ratio which include discontinued operations. Discontinued operations are outlined on page 45.

What we delivered in FY19

Stakeholder outcomes

Customers
Better outcomes

$92bn
of new lending for Australian home buyers

$36bn
of new lending for Australian businesses[1]

1.2m
new personal transaction accounts opened for customers

$275m
changes to fees and charges benefiting customers

For more information, see pages 22-25

Community
Trusted and reputable

427,500+
students provided with financial education (Start Smart)

236
CommBank Foundation community grants

$5.1bn
low carbon financing

18,000+
employee pro bono and volunteering hours

For more information, see pages 26-29

Our people
Energised, accountable

$5.9bn
paid to our people in salaries and superannuation

39.1%
women in leadership roles

25.2hrs
average hours of training per employee

73.9%
of our people working flexibly

For more information, see pages 30-33

Shareholders
Long-term sustainable returns

$7.6bn
returned to shareholders as dividends

$3,702
dividend amount received by average retail shareholder

12.5%
return on equity (cash basis)

21%
total shareholder return (1 year)

For more information, see pages 34-35

Chairman's message

Dear Shareholder

It has been a very important year for the Bank, in terms of progressing our strategy to be a simpler, better bank, and addressing key governance, accountability, risk and remediation issues.

All the while, the business has been focused on maintaining operational and capital performance in a more challenging economic environment.

Strategy: becoming a simpler, better bank

Becoming a simpler bank

This year, substantial progress has been made to simplify the Bank. Our focus has been on remediation in, and rationalisation of, our Wealth Management division.

In July 2018, we sold our New Zealand life insurance business, Sovereign, for $1.3 billion, and we are making progress on the divestment of our Australian life insurance business, CommInsure Life.

Recently, on 2 August, we completed the sale of our global asset management business, Colonial First State Global Asset Management, for $4.2 billion.

We have also announced the exit of our aligned financial advice businesses, namely the sale of Count Financial, the cessation of CFP-Pathways and the assisted closure of Financial Wisdom.

We remain committed to the orderly exit of our remaining wealth management and mortgage broking businesses, comprising Colonial First State, Aussie Home Loans and our stake in Mortgage Choice.

Delivering better customer outcomes

Another critical area of focus this year has been delivering better outcomes for our customers.

We have been making changes to our policies, products and processes to ensure that we deliver better customer outcomes. This includes our commitment to improve the financial wellbeing of our customers by removing and reducing fees, and by introducing smart alerts to help customers avoid fees.

We have elevated our approach to how we listen and respond to customers, and have developed a more robust complaints handling process. These functions now report directly to the Deputy Chief Executive Officer, David Cohen.

A large team is also working on remediation and we have expensed approximately $1 billion this year to cover refunds, interest and program costs – due primarily to issues in our financial advice businesses – to ensure that customers are appropriately and efficiently remediated.

Leadership

There has been significant renewal of the Executive Leadership Team (ELT), following Matt Comyn's appointment as CEO in April last year. Matt has subsequently made seven new appointments to his leadership team, through both internal and external recruitment processes. The new team has significant experience in financial services, risk management and technology. Together, they are now leading the necessary cultural change and making progress on becoming a simpler, better bank.

Culture, accountability and remuneration

To achieve lasting cultural change we have clarified what we expect of our people through our updated purpose and values, and a new Code of Conduct. The Code links our purpose and values with the guiding principle our people must apply – the 'Should We?' test – to ensure they make the right decisions and do the right thing by our customers and the community.

The Bank's remuneration framework has also further evolved to support cultural change and reinforce greater accountability. Changes have been made to better align the Bank's remuneration framework with prudent risk management. For senior leaders, including the CEO and Group Executives, a significant proportion of their performance is now also tied to the successful delivery of our Remedial

Action Plan (RAP) which responds to the recommendations of the Australian Prudential Regulation Authority (APRA) Inquiry into CBA. The RAP milestones include the necessary changes to policies, processes and systems that underpin the Bank's culture. Importantly, we have continued to strengthen the Board's oversight and challenge of remuneration across the Group.

The Board has also determined appropriate remuneration consequences to reflect risk, customer and reputational matters. This year, of the 15 Executives eligible for short-term variable remuneration, 14 received in-year reductions to their remuneration in relation to risk matters. This is in addition to the reduction in remuneration outcomes for Directors, Executives, senior leaders and employees of more than $100 million across the 2017 and 2018 financial years.

Strengthening governance of non-financial risk

In the 2019 financial year we have built on the previous two years of work in strengthening governance practices at the Bank, to ensure we meet the high standards expected of us.

The focus this year has been on the governance of non-financial risk, including operational risk and compliance. We have increased Board visibility of non-financial risk and improved Board oversight, processes and coordination. This work has been further guided by the recommendations of last year's APRA Inquiry.

The CEO has also established a Non-Financial Risk Committee (NFRC) at Executive level, with reporting through to the Board Risk Committee, to improve the identification, prioritisation and management of non-financial risks. The NFRC also focuses on risks such as climate change and cyber risk that can ultimately have financial impacts.

Regulatory and compliance progress

Australian Transaction Reports and Analysis Centre (AUSTRAC)

We have continued to invest heavily in our financial crimes capabilities and continue to work constructively with AUSTRAC.

Australian Prudential Regulation Authority (APRA)

In April 2018, we committed to implement all 35 recommendations contained in APRA's Prudential Inquiry Final Report and entered into an Enforceable Undertaking (EU) with APRA. An independent reviewer, Promontory Australasia (Sydney) Pty Ltd, provides an assessment of our progress to APRA on a quarterly basis. Their latest report states that we are on track to deliver on our RAP. The full report is available at: commbank.com.au/apra.

Financial Services Royal Commission

In February of this year, the Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Financial Services Royal Commission) was delivered. We are committed to working with government and our regulators to implement the recommendations of the Final Report. Of the 76 recommendations in the Final Report, we are currently taking action on 23. We are participating in consultation processes and preparing to implement an additional 27. For the remaining 26, the action is with government or regulators or the Bank does not operate in that business.

Australian Securities and Investments Commission (ASIC)

In April 2018, Commonwealth Financial Planning (CFPL) entered into an EU with ASIC that required it to attest that it had identified and remediated customers who had not received an annual review, and that its ongoing service systems, processes and controls were reasonably adequate. In June 2019, ASIC confirmed that CFPL had complied with the EU, save for some refunds to be made by 30 September.

Sustainable business practice

To embed our commitment to operating sustainably and responsibly into our business, we have integrated our environmental and social commitments into a new Group Environmental and Social Policy. This policy includes our commitment to supporting the responsible global transition to net zero emissions – including by reducing our exposures to thermal coal mining and coal fired power generation, with a view to exiting the sectors by 2030, subject to Australia having a secure energy platform. It also includes our human rights and biodiversity commitments, as well as our approach to lending to customers in the agriculture, fisheries, forestry and defence sectors. The policy is outlined at: commbank.com.au/policies.

Business performance and dividends

Notwithstanding the actions taken on remediation this year, the business has continued to perform well, despite economic headwinds and uncertainties. Through capital discipline and prudent balance sheet management we have also maintained our funding, liquidity and capital strengths.

This has enabled the Board to determine a final dividend of $2.31 per share, taking the full year dividend to $4.31 per share fully franked, flat on last year.

Board renewal

Board renewal has continued and in January, we welcomed Professor Genevieve Bell and Paul O'Malley to the Board.

Genevieve's experience as a global technology executive and her understanding of technology and culture in business and society, brings a unique and strategic perspective to the Board.

Paul, with his extensive operational, accounting and business experience, including as a CEO and CFO in industries undergoing change, adds significant value to Board discussions.

On 31 December, Sir David Higgins will retire from the Board and we thank David for more than five years of service, commitment and contribution.

Building trust

This year, your Board and management team have made significant progress against key governance, accountability, risk and strategic priorities.

Building trust however, takes time. We are committed to taking a long-term view, and to making decisions and acting in the best interests of all stakeholders.

We believe this will deliver consistently better outcomes for our customers, people, communities, regulators and shareholders, and result in long-term and sustainable performance.

Thank you for your support.

C.B. Livingstone

Catherine Livingstone AO
Chairman

CEO's message

Dear Shareholder

For more than a century, the Bank has changed with the times to fulfil our purpose – improving the financial wellbeing of our customers and communities. Our purpose goes back to the Bank's earliest days when it was created to be a bank for all Australians, to help people and businesses prosper and the economy flourish.

Over the past year, we have been taking action to deliver a simpler, better bank to ensure that we uphold the Bank's legacy and achieve our purpose.

The benefits of becoming a simpler bank

Becoming a simpler bank – by reducing our portfolio of businesses and simplifying the way we operate – is allowing us to focus on our core banking businesses. These businesses deliver approximately 95% of the Bank's profit and are where our strengths lie.

Reducing the complexity of our business and our processes is helping to improve customer and risk outcomes. It also makes it easier for our people to serve our customers.

Another benefit of simplification is that it allows us to reduce costs. We are committed to lowering our cost base to create the capacity to invest in market-leading technology and service, in order to deliver the best offering for our customers and performance for the Bank. This will help us meet the challenges of increased competition. While this year's costs have been significantly higher due to remediation and risk and compliance expenses, we are seeing the early benefits of business simplification.

Progress on becoming a better bank

We are focused on becoming a better bank for our customers. To demonstrate our commitment, each week since February we've announced at least one customer or community benefit. Initiatives under our 'Better for you' campaign have included: removing a number of banking fees for our business customers; providing smart alerts and notifications to help customers avoid fees and better manage their finances; as well as introducing measures to support farmers and regional communities.

This year we have also made deliberate decisions to stop selling some products and services and have changed how and what we charge for others, to ensure that we are delivering better outcomes and value for our customers. While this has impacted revenue, the decisions saved our customers $275 million in fees and charges this year, and provide a more sustainable and competitive base for our business going forward.

The actions we're taking to respond to the recommendations of the APRA Prudential Inquiry and the Financial Services Royal Commission, and to implement the new Banking Code of Practice, are also critical to restoring trust in the Bank and the broader financial services industry, and will result in better customer and community outcomes.

While becoming a better bank will require consistent effort over time, we were heartened to see that more Australians than ever now call the Commonwealth Bank their main financial institution (35.6% in June 2019, compared with 34.4% in June 2018). Our consumer and business Net Promoter Scores have also improved slightly but are still negative, so we continue to work hard to identify and fix the causes of customer dissatisfaction.

Key metrics in 2019[1]

Statutory NPAT

$8,571m

Cash NPAT

$8,492m

Cost-to-income ratio

46.2%

Return on equity

12.5% cash basis

CET1 capital ratio (APRA)

10.7%

Dividend per share

$4.31 fully franked

Total shareholder return

21% 1 year

Net Promoter Score

37.2 Mobile App

30.9 Internet banking

Delivering for our customers through service and technology

By combining the best service and technology we can deliver exceptional banking experiences for our customers, and better operational performance for the Bank.

We are committed to providing exceptional service across all the channels that our customers use to do their banking, including maintaining the largest branch network in Australia and our Australia-based call centres.

A key pillar of our strategy, and of our customer offering, is being the best in digital. Our mobile banking app was recently rated #1 in Australia for the third year in a row by Forrester, and we have been rated the best online bank for 10 years in a row by Canstar. This is not what we use to benchmark our performance though, because our 7 million active digital customers – including 5.6 million CommBank app customers – now compare their banking experience to the best digital experience they have with any service provider.

We believe that personalisation is key to success in digital banking, so we've been building our data and analytics capabilities and the platforms and channels that enable us to deliver more personalised experiences. This includes our now-customisable CommBank app, and the Customer Engagement Engine which uses artificial intelligence to analyse data and serve customers with the information and services that are most relevant to them. We plan to invest over $5 billion over the next five years with much of that going into technology to keep improving our systems and services, and to maintain our leadership position.

Delivering for our community

Improving the financial wellbeing of the community is also at the heart of our purpose. We have been a long-standing advocate of financial education through school banking and our Start Smart financial literacy program which trains hundreds of thousands of students each year.

We are also taking steps to be there for customers and members of the community who are vulnerable. Our Customer Advocate team, in partnership with community and academic experts, has developed the 'Safe and Savvy' guide to help older people avoid abuse, scams and fraud. Over the past five years we've also been providing assistance to women and men experiencing domestic and family violence, and financial abuse; and are now partnering with community organisations to help those affected achieve long-term financial independence.

Our new green mortgage initiative which rewards the adoption of solar energy and energy saving measures is a further example of how we are helping to achieve broader community objectives – in this case, more affordable and sustainable energy.

Maintaining financial performance

Our financial results this year reflect the actions we've been taking to build a simpler, better bank – including the costs of simplifying our business, remediating customers to fix past issues, and investing in better customer and risk outcomes.

Importantly, our results also show the continued strength and momentum in our business. Despite the challenges of lower credit growth and low interest rates, we were able to deliver above system growth in home lending and strong transaction account growth.

The strength of our balance sheet – across funding, liquidity and capital metrics – was another positive feature this financial year. With our Common Equity Tier 1 capital ratio at 10.7% we are above APRA's 'unquestionably strong' benchmark of 10.5%.

Together, this operational and capital performance has delivered dividends for shareholders. Our simplification-related divestments will further strengthen our capital position and support long-term sustainable returns for shareholders.

Looking ahead

We are making progress on our strategy to be simpler and better, and are very clear on what we need to do to deliver continued performance in the current economic, regulatory and competitive environment.

The enduring strength of the Bank's franchise, the commitment of the leadership team, and the continued dedication of our people to our purpose and to our customers, give me great confidence that we can deliver a bank of which you, as our owners, can be proud.

Yours sincerely

Matt Comyn
Chief Executive Officer

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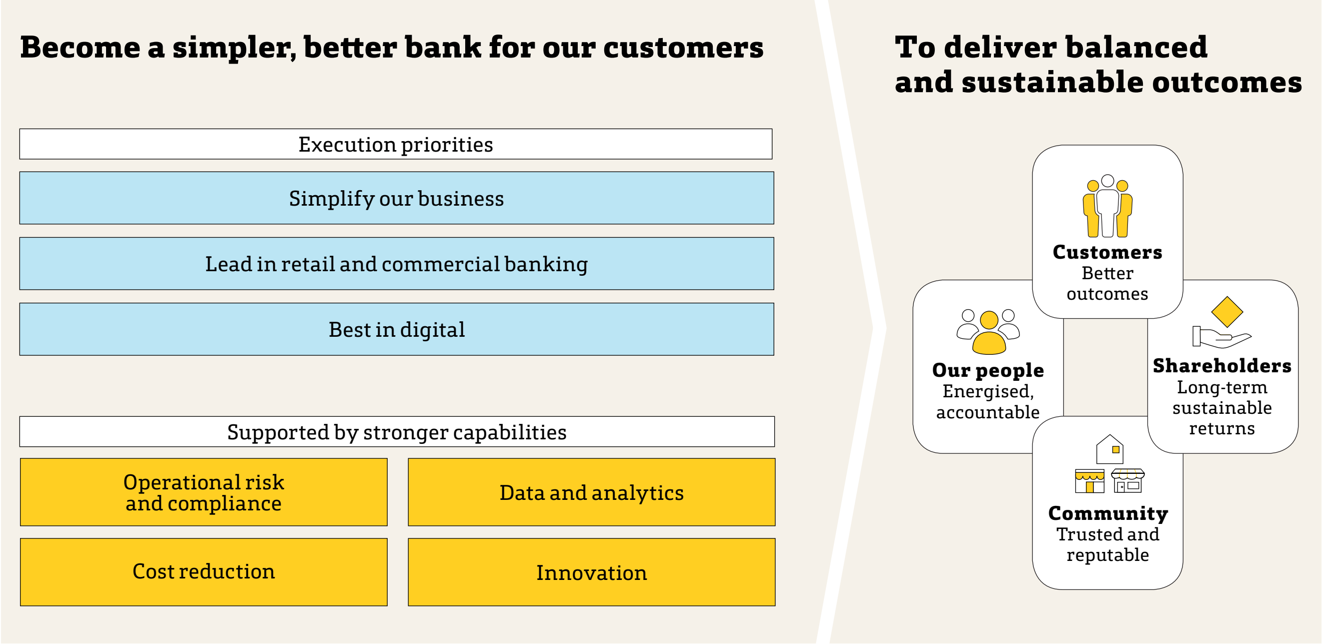
[1] Statutory net profit after tax (NPAT), CET1 and dividend per share include discontinued operations.

Operating context

We are responding to changes in our operating environment.

Trend	Our response
Macroeconomic environment In Australia, credit growth has slowed and interest rates are at historic lows, however the economy remains resilient. Globally, trade uncertainty persists.	• We have the backing of a strong balance sheet that is managed prudently and conservatively to provide resilience and to support customers in times of economic uncertainty. We also undertake regular stress tests to understand how our business performs and what actions to take in a variety of scenarios. • We are simplifying the Bank to focus on our key sources of competitive advantage including our customer relationships, distribution strengths and technology leadership. **See the *Strategic report* and *Financial performance* sections for details.**
Decline in trust and reputation There has been a loss of confidence and trust in institutions and large businesses in general. In particular, Australian financial institutions have experienced a decline in trust and reputation.	• We are focused on demonstrating, through actions not words, that we are trustworthy by being capable and reliable, doing the right thing and improving stakeholder outcomes. • Trust and reputation is a focus of our strategy and a performance measure in Group Executive long-term variable remuneration. **See the *Delivering balanced and sustainable outcomes* section for details.**
Regulation driving change The industry is undergoing a period of heightened regulatory change, with a focus on non-financial risk, including conduct and culture.	• By simplifying our portfolio we are reducing the scope and complexity of our business. We are also strengthening our risk management and compliance capabilities, including through our APRA Remedial Action Plan. • We are engaging with regulators proactively and in an open and transparent way. **Refer to the *Risk management* section for more information.**
Increased competition Existing and new competitors are using emerging technologies and will leverage data – through Open Banking and Comprehensive Credit Reporting – to meet evolving customer preferences.	• We are investing in customer-focused innovation that brings together technology and service to exceed customer expectations. To remain 'best in digital' we are leveraging our unrivalled digital and data assets to deliver personalised and value-add services. • By simplifying our business we are also creating the capacity to invest for the future. **For more information, see the *Strategic report* section.**
Importance of cybersecurity and data protection Cybersecurity and data privacy are increasingly important due to the digitisation of information, processes and transactions, and the increasing sophistication of cyber threats.	• We continue to invest in cybersecurity and data management, and view these capabilities as a strategic differentiator. • We collaborate with a range of government, community and industry bodies to strengthen system-level resilience and to reduce the impact of fraud and scams on the community. **See the *Strategic report* section for more information.**
Workforce requirements are changing Automation and digitisation are changing the capabilities and skillsets required. Competition for specialised talent is increasing.	• We are focused on re-skilling and supporting our people to be ready for the future of work. • To retain and attract top talent we are continuing to invest in our value proposition as an employer. We offer flexible work arrangements, competitive benefits, and foster a diverse and inclusive workforce. **For more information, see the *Delivering balanced and sustainable outcomes* section.**
Climate action is growing in importance Climate change presents both risks and opportunities for our customers and our business, and is of concern to many in the community.	• We are undertaking detailed analysis to understand the risks and opportunities of climate change, implementing strategic responses, and building internal and customer capabilities to support the economy's transition to net zero emissions by 2050. • We are committed to reducing our exposure to thermal coal mining and coal fired power generation and to sourcing 100% of our electricity consumption from renewable sources. **See the *Our approach to addressing climate change* section for more information.**

Our strategy



Become a simpler, better bank for our customers

Execution priorities

- Simplify our business
- Lead in retail and commercial banking
- Best in digital

Supported by stronger capabilities

- Operational risk and compliance
- Data and analytics
- Cost reduction
- Innovation

To deliver balanced and sustainable outcomes

Customers Better outcomes

Our people Energised, accountable

Shareholders Long-term sustainable returns

Community Trusted and reputable

Our purpose

When the Commonwealth Bank of Australia was established in 1911, it was to be a bank for all Australians and all businesses, a bank that would help the economy flourish and people prosper. It was to be a bank of which the nation could be proud.

This has always been our purpose: to improve the financial wellbeing of our customers and communities. Our purpose provides clear direction to our people and guides our strategy.

Our values

Our values state what we stand for, and set expectations for our actions and behaviours:

- We do what is right
- We are accountable
- We are dedicated to service
- We pursue excellence
- We get things done

Our strategy

Our strategy is to become a simpler, better bank that delivers balanced and sustainable outcomes for our customers, community, our people and shareholders.

We are becoming a simpler bank by focusing on our core banking businesses and simplifying our organisation to reduce costs and create the capacity to invest, while also reducing risk and making it easier for our customers and our people to get things done.

Becoming a better bank is about being more capable and reliable, acting transparently and doing the right thing, and consistently delivering better outcomes for our stakeholders.

We have set three execution priorities: simplify our business; lead in retail and commercial banking; and best in digital. We believe these priorities best leverage our competitive advantages and position the Bank for success.

To deliver on our strategy we are investing in four critical capabilities: operational risk and compliance; cost reduction; data and analytics; and innovation. These capabilities address our operating context and best support performance into the future.

Most importantly, the goal of our strategy is to deliver balanced and sustainable outcomes for our stakeholders. It means that we are taking a balanced and long-term approach in all our decision making.

Simplify our business

We are becoming a simpler, more focused bank, fully aligned to meeting the needs of customers in our core markets.

A simpler portfolio of businesses

Simplifying our portfolio of businesses removes complexity and reduces our cost base.

In the 2019 financial year, we completed the sales of Sovereign, our life insurance business in New Zealand, and of TymeDigital in South Africa. On 2 August 2019, we completed the sale of Colonial First State Global Asset Management.

We are progressing the announced divestments of our other life insurance businesses – CommInsure Life in Australia and our interests in BoCommLife in China and PT Commonwealth Life in Indonesia.

We have also announced the exit of our aligned financial advice businesses, including the sale of Count Financial, the cessation of CFP-Pathways and the assisted closure of Financial Wisdom.

Following the completion of the sale of Count Financial to CountPlus we intend, subject to market conditions, to sell our stake in CountPlus.

We remain committed to the orderly exit of Colonial First State, Aussie Home Loans and our stake in Mortgage Choice.

The end result will be a more focused portfolio that delivers better customer, risk, cost, return and capital outcomes.

Portfolio simplification

Completed

Sovereign

TymeDigital

Colonial First State Global Asset Management

Announced

BoCommLife

CommInsure Life

PT Commonwealth Life

Count Financial

CFP-Pathways

Financial Wisdom

Under strategic review

General Insurance

Vietnam International Bank

Intention to exit

Colonial First State

Aussie Home Loans

Mortgage Choice

CountPlus

For more information, see page 260.

A simpler way of doing business

We are simplifying our policies, processes and products to make it easier for customers to bank with us and for our people to get things done.

Making it easier for customers

We are listening to our customers and acting on their feedback to deliver simpler, better banking. This includes simplifying our product offering to make it easier for customers to choose the product that best suits their needs. For example, we have simplified our home loan product range from 10 products to five core products.

We are also responding to customers who want to do more of their banking digitally. Customers can now manage home loan repayments and provide instructions for maturing term deposits directly in the CommBank app. Through the app we also prompt customers to verify their address before their cards expire and we let them know when their new cards are on the way.

Making it easier for our people

We are making it easier for our people to serve customers. We are redesigning processes to remove duplication and are automating manual work. For example, we have automated part of the new lending process for commercial loans so that our people can focus on spending time with customers and on understanding their businesses.

We are also simplifying our technology by moving to a more modular and cloud-based architecture which will enable us to increase the pace of innovation.

Reducing risk

As we simplify our portfolio and product suite and eliminate process variation, we reduce the spectrum and variety of risks we need to manage.

By simplifying and modernising our technology we reduce the risk of cyber attack and data loss. It also makes our systems more resilient and addresses system risk.

Simplification of our operating model also improves our ability to quickly identify and respond to risks and opportunities as they emerge.

Creating capacity to invest

By reducing complexity and cost we create the capacity to invest in better risk and compliance capabilities and in better technology and digital experiences for customers.

We are making new investments that will help strengthen our position in our core banking businesses including home buying, business banking and payments. We plan to invest more than $5 billion over the next five years, with much of that to maintain our leadership in technology.

Simpler, faster loans with BizExpress™

Business opportunities can arise unexpectedly and we understand that our customers want to act quickly when they do. That's why we've re-engineered our loan approval process.

Eligible existing customers can now get same day lending decisions for unsecured loans up to $250,000 and secured loans up to $1 million. Over the next 12 months, we plan to progressively increase the secured lending limit, expand the product set and offer BizExpress™ to new customers.

By leveraging our leading data assets and automation capabilities to make better, faster credit decisions, the new loan approval process also reduces risk and costs for the Bank.

Lead in retail and commercial banking

We will continue to invest in our market-leading retail bank and strengthen our commercial banking business.

Our commitment is to provide the best service across all channels

Physical network

1,172
branches (Group total)
1,014 in Australia

3,963
ATMs – the largest network in Australia

Digital channels

#1 online bank
10 years running
(Canstar)

#1 mobile bank
4 years running
(Canstar)

Personal service

2,300+
business bankers and specialists (Business and Private Banking)

2,000
Australia-based call centre staff

CBA and the World Bank issue the world's first blockchain bond

As part of our leading Innovation Lab and Markets collaboration, we have partnered with the World Bank to create, allocate, transfer and manage a bond, called 'bondi-i' via distributed ledger. Recently, we achieved another world first by launching secondary trading of bond-i on blockchain.

Retail Banking Services

Our retail customers have diverse needs and choose to do their banking across multiple channels.

We know that our customers value being able to walk into a local branch for face-to-face service, especially when making large deposits and when buying a home. That's why we are committed to keeping the largest branch network in Australia and why we have invested in our proprietary home buying experience. ASB, our New Zealand bank, has also invested in its home lending service and has been awarded 2019 Bank of the Year – Home Loans by Canstar.

Our customers tell us they like talking with call centre staff who understand their needs and can quickly answer their queries. For that reason, we are committed to maintaining our call centres in Australia and to keeping wait times short.

They also say they love the convenience of banking digitally, which is why we continue to innovate and invest in our market-leading online (NetBank) and mobile (CommBank) banking channels.

Importantly, we know that our customers want their banking to be seamless. That's why our technology systems are customer-centred rather than product-centred, and why we have invested in our Customer Engagement Engine which gathers the interactions each customer has with us across all channels. This helps us better understand and serve our customers' needs and improve their financial wellbeing.

Business and Private Banking

We are focused on helping businesses grow and prosper.

We support our customers to start, run and grow their businesses by providing market-leading solutions and services. Our strengths include transaction banking which leverages our real-time banking capabilities, and our leading payments solutions for merchants. We continue to tailor our solutions to meet our customers' needs across their industries and at different stages of their business lifecycle.

We are committed to providing simpler and more convenient banking for our customers through digital innovation. We have introduced a new online customer on-boarding tool for our business customers, and we now offer same day decisions for simple business lending through BizExpress™. We have made Apple Pay and Alipay available to make payments easier and more convenient. Business customers can also enable smart alerts for their business transaction accounts.

Our business customers tell us they value receiving financial insights and expertise to help them run their businesses. To better support our customers, we have hired more business bankers and will continue to invest in our distribution network to provide customers with access to our bankers in branch, over the phone and digitally.

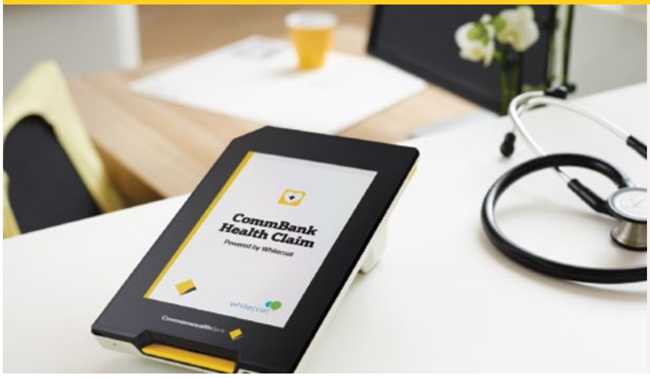
Institutional Banking and Markets

We are building better banking partnerships with governments, institutions and communities to help the Australian economy flourish.

To help our clients navigate the increasingly complex business environment, we have structured our teams around industry themes and product expertise. By re-orientating our business model around the key trends impacting Australia and the global economy, our people are better able to help clients realise new opportunities for their businesses.

We are also evolving our products and services to help clients meet their broader objectives. Recently we provided a sustainability-linked loan to Queensland Airports Limited (QAL) that supports their goal of reducing carbon emissions. QAL will receive a lower interest rate on the loan if it meets its carbon reduction targets. The financing is the first in Australia to be directly linked to a reduction in a borrower's carbon emissions.

We are also bringing together clients and partners to explore new opportunities and to achieve positive community outcomes. Our recent collaboration with the NSW Government, Cubic Transport Systems and MasterCard has meant that commuters on rail, light rail or Sydney ferries can now pay using a credit or debit card instead of using New South Wales' dedicated travel smart card, Opal.



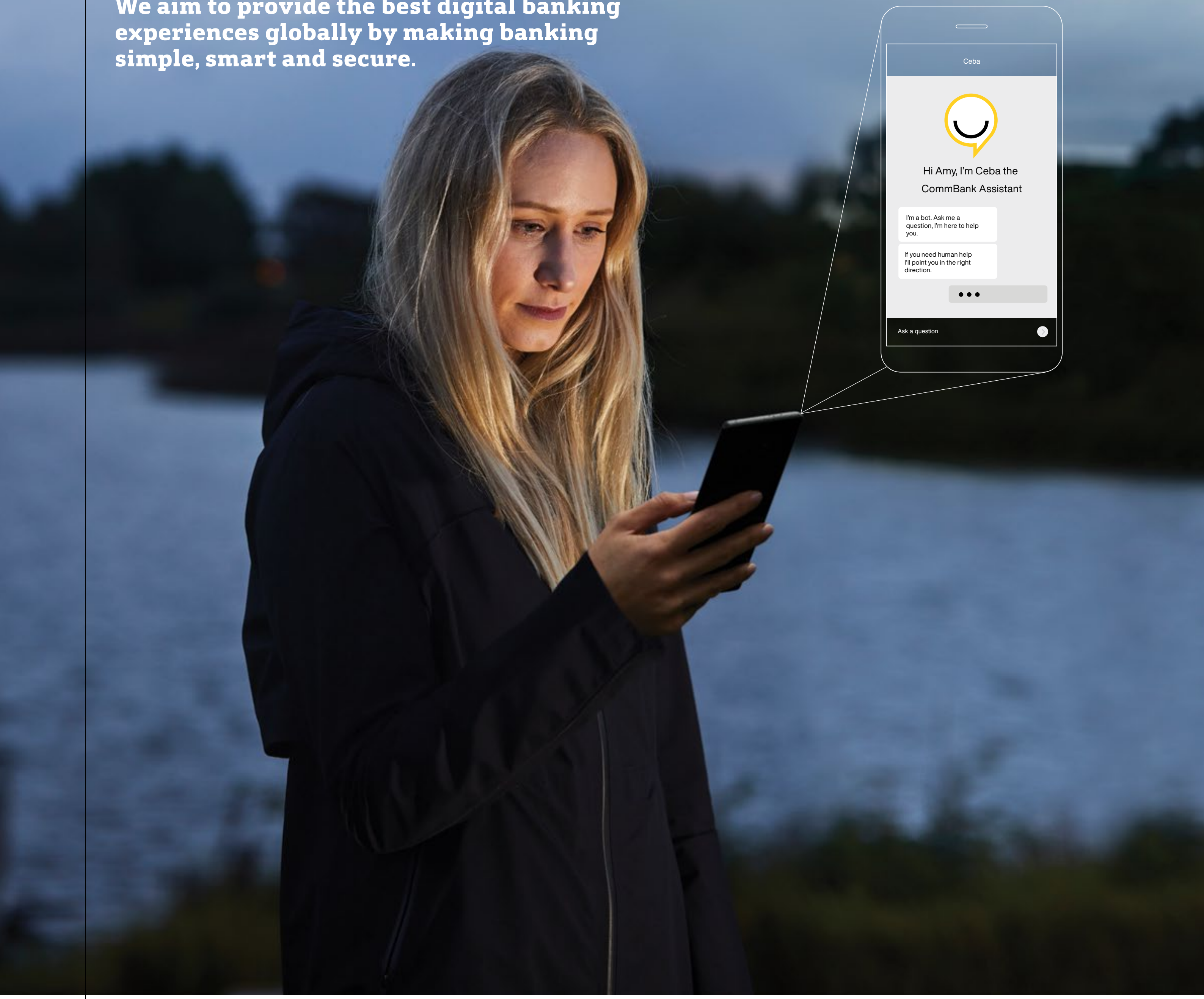
Introducing simpler health payments and claiming

We have partnered with Australian medical technology provider Whitecoat, to develop CommBank Health Claim – an integrated payments and claiming solution, currently in pilot on our Albert EFTPOS terminal.

Through CommBank Health Claim, healthcare providers will have the ability to engage directly with patients. Patients can use the companion app, MyWhitecoat, to search for providers, request bookings and instantly approve payments and private health insurance claims.

Best in digital

We aim to provide the best digital banking experiences globally by making banking simple, smart and secure.



Hi Amy, I'm Ceba the CommBank Assistant

I'm a bot. Ask me a question, I'm here to help you.

If you need human help I'll point you in the right direction.

We have built our market leading digital assets over more than two decades

1997

NetBank

- Full functionality 24 hour online banking service
- #1 online bank 10 years in a row since 2010 *(Canstar)*

2005

CommSee

- Proprietary customer relationship system
- Provides a single view of customers across all channels

2009

Core banking

- Real-time banking and settlement
- Standardisation and system simplification
- Greater reliability
- Enables real-time digital functionality

2013

CommBank app

- #1 mobile bank four years in a row since 2016 *(Canstar)*
- Currently #1 mobile banking app in Australia *(Forrester)*

Making banking simple

Our customers want banking to be simple, and compare their digital banking to the best digital experiences they have with other product and service providers. We are evolving our offering to meet and beat customers' expectations by providing easy-to-use functionality that integrates service and technology to deliver convenient and value-add digital banking services.

Active digital customers

7.0 million

Logons per day

7.4 million

Mobile banking app in Australia *(Forrester)*

#1

Focus on the customer

We recently relaunched the CommBank app to make it more intuitive and user-friendly. Customers can now customise their home screen and select the features and notifications they use and value the most. For example, this could include month-to-month spending comparisons and reminders about upcoming credit card payments.

Seamless service

Our customers can access mobile and online banking 24/7, but we're also working to make sure that our digital banking connects seamlessly to other services.

Through improved functionality in the CommBank app menu, customers can now connect directly with the best equipped member of staff to meet their needs. This allows calls to be fast tracked and answered more quickly.

Appointments to see a home loan specialist can now be made online, allowing our customers to choose when and where to meet with our home lenders.

Bankwest has also launched a new in-app messaging service allowing customers to continue a conversation across multiple devices. If an issue hasn't been immediately resolved, the customer can later resume the discussion with another member of staff who will have the full chat history.

Ceba – your virtual helper

Ceba, our virtual banking assistant, can answer a wide range of day-to-day banking questions and uses artificial intelligence to help customers complete 380 banking tasks. Where human help is needed, Ceba can connect customers to speak with the right person over the phone or via live webchat.

More digital ways to pay

This year we added more payment functionality to existing features like PayID and Tap and Pay for Android. In response to customer demand, we now provide Apple Pay for retail and business customers. More than 2.1 million of our cards have been added to mobile wallets.

We were the first major bank to accept Alipay for in-store payments on our Albert terminal, enabling merchants to connect with over 1.3 million Australian Alipay customers.

Simplifying and digitising banking tasks

We are increasingly digitising banking tasks to deliver faster and more convenient processes. Personal loan applications can now be submitted digitally using a smart phone camera to upload the relevant documents. We are also focused on streamlining our application processes so that they are as efficient as possible. Through our new digital on-boarding capabilities business customers can securely complete the necessary know your customer (KYC) forms online, for both their business and related parties.

2014

Customer Engagement Engine

- Over 200 machine built adaptive models
- Learns from over 600 million customer interactions
- In FY19, delivered 3.6 billion personalised messages in digital and served 3.5 million customers with Financial Wellbeing Next Best Conversations

2018

Ceba

- AI-powered chatbot to assist with 380 banking tasks
- Innovation award winner *(Gartner)*

2019

Relaunched CommBank app

- Personalised look and feel
- Customisable home screen and notifications

Best in digital (continued)

Simple **Smart** Secure

Making banking smart

We have made substantial long-term investments in our technology platforms, digital assets and channels to provide customers with a smart digital banking experience.

Providing real-time functionality

Our core banking system provides real-time functionality and supports instant transactions and features in the CommBank app and on NetBank. As a result, customers can place locks, blocks and limits on their accounts and cards with instant effect; and can obtain cash on demand from an ATM using their mobile phone and the Cardless Cash feature in the CommBank app.

Bankwest customers are able to use a digital version of their new debit or credit card which is generated within the Bankwest app, prior to the arrival of their physical card in the post.

Data-driven insights

We have invested in our Customer Engagement Engine to drive personalised and relevant banking services for our customers. The engine gathers data from more than 600 million customer interactions across all channels, including digital, branch and call centres. It analyses over 150 billion data points in real time and applies continuous machine learning to better understand the needs of each customer. Using these insights, it delivers prompts to our frontline staff to ensure that each interaction with our customers is meaningful and relevant to their unique circumstances.

Personalised digital experiences

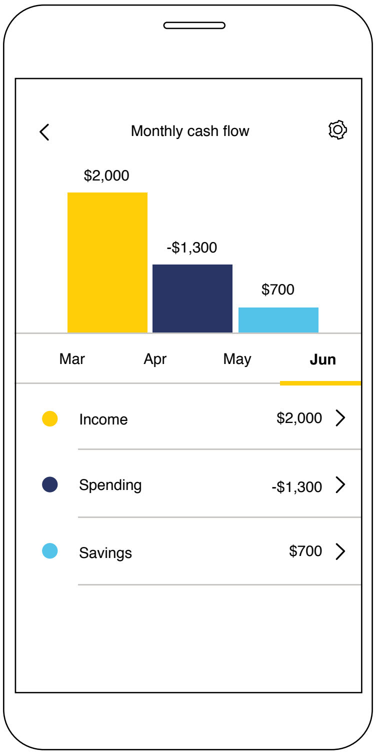
We believe that personalisation is the future of digital banking. With the relaunch of the CommBank app, we will deliver a personalised banking app to 5.6 million mobile banking customers. We are also delivering personalised banking services thanks to the Customer Engagement Engine. In the last 12 months, it has delivered 60 million real-time and relevant notifications to customers to help them better manage their finances. This includes over 20 million smart alerts which have helped customers avoid unnecessary fees by alerting them to overdrawn accounts and missed credit card payments.

Connecting customers with unclaimed benefits

Using our data analytics capabilities we are also able to alert our customers to unclaimed benefits and rebates. We have developed Benefits finder to connect customers with over 250 entitlements and rebates offered by government agencies or third parties. For example, using payments data we were able to identify customers in New South Wales who had paid Compulsory Third Party Green Slip insurance and alerted them to their potential eligibility for a refund. Through Benefits finder, we're aiming to connect our customers with $150 million of benefits annually.

Better money management

We have rolled out a range of smart financial tools and alerts through the CommBank app to empower our customers to make sound financial decisions. To help customers stay in control of their finances, Cash Flow View provides a financial picture of earnings and spending, including month-to-month trends. The recently launched Goal Tracker allows customers to plan, track and visualise their financial goals in the CommBank app, encouraging them to save regularly and maximise their savings potential.



●	Income	$2,000
●	Spending	-$1,300
●	Savings	$700

Making banking more secure

We are the main financial institution for one in three Australians and see almost 40% of payment transactions in Australia. We therefore play a crucial role in safeguarding customer data and protecting Australians from scams and fraud.

Reported losses to Australians from scams in 2018[1]

$489 million

Reported losses to Australian businesses from email compromise scams in 2018[1]

$60 million

Keeping customers' data safe

Our priority is to keep our customers' accounts, data and privacy secure. Our systems monitor customer accounts 24/7 and advanced analytics help identify and detect abnormal transactions or spending patterns that could indicate unauthorised transactions. We also use biometrics such as Touch ID and Face ID to prevent unauthorised access to customer accounts and information.

Strengthening fraud detection

For customers who have chosen to share their location when logged into the CommBank app, we have enhanced fraud detection through real-time tracking that helps us identify any suspicious activity. Customers have full control over the level of online security provided and can opt in or out of this feature.

100% online security guarantee

In the event that our customers do experience a monetary loss due to fraud, we offer a 100% security guarantee for unauthorised transactions. This guarantee is available to both personal and business customers who have protected their devices, PINs and passwords and have immediately notified us of the loss, theft or misuse of their password and of any suspicious activity on their account.

Educating the community

We are also working to ensure our customers and communities know about the risks of online fraud and scams and what can be done to avoid harm. This year we have rolled out a nationwide program of initiatives – including e-learning modules for businesses and in-branch seminars – to educate and inform customers about staying safe online.

24/7 fraud monitoring

To protect customers' accounts, our fraud detection specialists work around the clock to identify and prevent suspicious transactions.

Our 24/7 Digital Fraud Detection team watch for red flags raised by our monitoring system. Transactions can be flagged due to a number of fraud indicators, for example, that a payment is completed using an international IP address.

A specialist fraud analyst then reviews the customer's account to identify any inconsistencies – such as locations of other recent credit card spend, and travel notes listed on the customer's profile. When the transaction is deemed suspicious, the analyst contacts the customer and can take action to prevent or recall fraudulent payments.

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[1] Australian Competition and Consumer Commission (May 2019) *Targeting scams: report of the ACCC on scam activity 2018.* Available at accc.gov.au/publications (Accessed: 24 July 2019).

Supported by stronger capabilities

To support the implementation of our strategy we are investing in four critical capabilities: operational risk and compliance, cost reduction, data and analytics, and innovation.

Operational risk and compliance

To keep pace with greater business and regulatory demands, and to fix the root causes of past issues, we are investing in our operational risk and compliance capabilities.

This year, almost two thirds of the Bank's investment spend was dedicated to risk and compliance enhancements – nearly $900 million.

Substantial programs of work are currently underway in the areas of financial crime compliance, data privacy, cyber security and supplier management.

We are also progressing our Group-wide Better Risk Outcomes Program (BROP). A centralised BROP team, reporting directly to the CEO, is overseeing the implementation of our APRA Remedial Action Plan (RAP). The RAP outlines 156 milestones which respond to all 35 recommendations of last year's APRA Prudential Inquiry into CBA.

Under the RAP significant work is being undertaken throughout the Bank to strengthen governance, culture and accountability; and to improve the identification, oversight and management of non-financial risk.

An independent reviewer, Promontory Australasia (Sydney) Pty Ltd, provides an assessment of our progress to APRA on a quarterly basis. Promontory's most recent report notes that we are on track to deliver against our RAP.

The ultimate goal of this work and the risk and compliance improvements underway is to improve customer and risk outcomes at the Bank.

See the Risk report **on page 50 for more details.**

Data and analytics

Our early investments in analytics, combined with our scale and unique data assets, position us well at a time when these capabilities are essential to delivering market-leading banking services. We are using our strengths in these areas to power innovation, provide personalised customer experiences, drive productivity and enhance our risk controls.

When Open Banking and Comprehensive Credit Reporting are fully implemented, there will be increased financial data sharing opportunities between financial services companies, with customer consent. We have met the implementation milestones for both to date, and are preparing to use these opportunities to provide new experiences for our customers in the future. We are also very focused on ensuring data security and privacy for our customers.

To allow our business customers to harness the Bank's data and analytics capabilities, we developed the Daily IQ insights tool. Available through online banking, Daily IQ helps our business customers, big and small, optimise their cash flow and compare their performance against others in their industry. By leveraging our payments data, Daily IQ can also help our customers grow their businesses by providing information on their customer base and spending patterns in a particular area. Recently, we added the Local Economic Impact tool to Daily IQ so that businesses can learn about the economic performance of a particular area and understand the impact of local events like festivals on consumer spending.

Helping customers make data-driven decisions

Harris Farm Markets aims to reconnect Australians with the joy of food by bringing the best produce to customers every day. Since opening in 1971, Harris Farm has grown its footprint to 26 stores across Sydney and regional New South Wales.

Opening a new store is a big investment decision that needs to be based on solid information. Harris Farm management used our Daily IQ tool to help them identify the best location for their new store. They looked at where existing loyal customers lived, and potential catchment areas for new customers.

Once the new store was opened, Harris Farm used Daily IQ to track the impact on its existing stores and to monitor overall store performance.

Innovation

We are investing to stay at the leading edge of innovation, so that we can continue to offer compelling customer experiences and meet increasing competitive and regulatory demands. This involves innovating in both customer facing applications and back office operations. We are also investing in technology to keep our systems safe, sound and secure, and to add real value and deliver better outcomes for customers.

We also promote innovation focused collaboration with our clients through our Innovation Labs. This year, we partnered with the CSIRO's Data61 to develop a world-leading 'Making Money Smart' app using blockchain technology. The use case was a trial for the National Disability Insurance Scheme (NDIS). The aim is to provide NDIS participants with 'smart money' that knows what it can be spent on, who it can be spent by and when it can be spent.

To promote an entrepreneurial, continuous improvement mindset within the Bank, we have created an open innovation platform called "Unleashing Innovation". Employees are encouraged to raise ideas focused on improving products, processes, systems and services.

This year, more than 23,700 of our people visited the platform. Of the 11,928 ideas submitted, 14.5% have been prioritised and successfully implemented across the Bank.

Winner of 2018 Gartner Eye on Innovation award[1]

DBM Australian Financial Awards – Most Innovative Major Bank[2]

CommSec Pocket – a new way to invest

Investing in shares for the first time can be complex, confusing and have high costs of entry. We created CommSec Pocket – a simple investment app aimed at helping our customers enter the share market.

CommSec Pocket allows investing with as little as $50, with very low brokerage fees from $2 per trade. The app is an educational first-step experience to share investing, offering bite-sized, relevant insights to investors.

The app also simplifies investment decision-making by providing seven different investment themes to choose from. Investors can diversify their portfolio across: Australian Top 200, Global 100, Emerging Markets, Tech Savvy, Eco Friendly, Health Wise and Australian Dividends. Each theme is simply explained and represented by an Exchange Traded Fund.

Aussie Dividends

SPDR MSCI Australia High Dividend Yield Fund - SYI

$29.00 per unit

Benefit from income as well as potential capitial gains. These 30+ companies are known for paying above average dividends.

Cost reduction

To become a better bank, we need to become more efficient, get smarter about how we allocate resources and reduce our costs. This creates the capacity to invest in our core business and to deliver competitive customer service and strong risk and compliance outcomes.

The divestments we have announced will remove complexity and cost, and are part of our simplification agenda. We are focused on ensuring that stranded head office costs are removed as part of this process.

We are also committed to delivering a simpler core business, having a lower absolute cost base and achieving a cost-to-income ratio below 40%. We are reducing costs where it makes sense and looking for opportunities to be more efficient. In the 2019 financial year, we achieved business simplification savings of $190 million.

As part of good business discipline, each business unit regularly reviews its structure, strategy, operating model and priorities.

This means prioritising some activities, and stopping others. Our International Financial Services business unit has been reducing its offshore footprint and changes are being made to the Institutional Bank's activities and international presence as a result of its recent restructure and streamlined operating model.

We are also optimising our domestic distribution. This year we closed 29 Bankwest branches on the East Coast of Australia, to prioritise investment in digital and in broker and third-party offerings to meet changing customer needs. We are rationalising our points of presence generally to respond to evolving customer preferences including, for example, reduced demand for ATMs and for cash transactions in branches.

By digitising and automating processes we reduce risk and costs and make it easier for our people to get things done.

For example, we have improved pre-release system testing from 18 manual hours to 1 hour of automated testing. This means that the CommBank app and NetBank spend less time offline and our people are freed up to do more value-adding work.

Increased automation and digitisation also helps our customers. For example, we now pre-populate customer information for small business customers who apply for Asset Financing online. As customers move to lower cost digital distribution channels and service delivery, this generates cost benefits for the Bank.

Another area of focus is technology change and run costs which we are working to reduce by rationalising our technology architecture and the number of IT systems we use, increasing cloud capabilities, consolidating applications and decommissioning those we no longer require.

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1 Asia Pacific, awarded October 2018 for Ceba.

2 DBM Australian Financial Awards – presented February 2019. Award based on DBM's Consumer Atlas data January to December 2018.

Delivering balanced and sustainable outcomes

The objective of our strategy is to deliver balanced and sustainable outcomes for our customers, community, our people and shareholders.

We exist to serve our customers and to improve their, and the community's, financial wellbeing. When we deliver for our customers they choose to do more business with us. Engaged and energised employees with strong values deliver excellent customer service.

When we act in the best interests of our stakeholders, do business in a way that is fair and sustainable, work constructively with our regulators, and play our part in ensuring a resilient, efficient and safe financial system, we earn the community's trust.

In combination these actions support long-term, sustainable returns for shareholders.

Customers

Better outcomes

OUR GOAL
#1
consumer and business NPS

22 Focusing on Net Promoter Score
23 Serving customers' needs
24 Improving customers' financial wellbeing
25 Listening to our customers

For detailed information on our *Environmental, customer, social and governance performance* metrics, see page 297.

Community
Trusted and reputable

OUR GOAL
Top quartile
among peer companies for reputation improvement

26 Focusing on reputation and trust
27 Earning trust
27 Making a positive contribution to society
28 Supporting financial education
29 Financial wellbeing for the community

Our people
Energised, accountable

OUR GOAL
Top 10%
globally for our employee engagement score

30 Focusing on employee engagement
31 Restoring pride
31 Strengthening our culture
32 Building a diverse, inclusive culture
32 Promoting employee wellbeing
33 Skilling our workforce for the future

Shareholders
Long-term sustainable returns

OUR GOAL
Top quartile
TSR outperformance relative to peers

34 Focusing on total shareholder returns
35 Delivering for shareholders
35 Income for shareholders and the economy
35 Sustaining performance

Supported by

36 Good business practice
35 Open and transparent engagement
35 Taking a responsible approach

Customers

Better outcomes

Focusing on Net Promoter Score (NPS)

Our goal is to rank number 1 among major banks for both consumer and business NPS.

NPS measures if we are meeting customers' needs and expectations by asking them if they would recommend us to their friends and family. As it tracks both our Promoters and Detractors it provides a more accurate measure of overall sentiment than customer satisfaction.

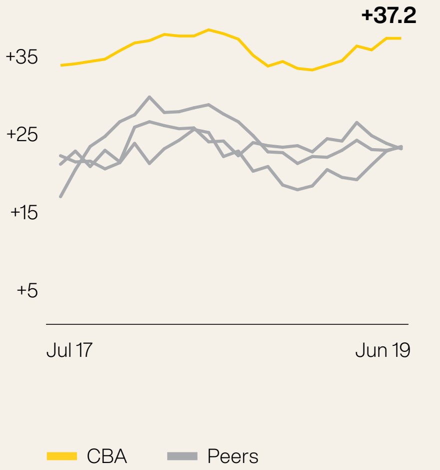
We have consistently ranked number 1 in NPS for our mobile app and overall internet banking. We are now working hard to achieve improvements in our consumer and business customer scores.

OUR GOAL

#1
consumer NPS

#1
business NPS

Mobile App NPS



For NPS source information see the *Glossary* on page 310.

Serving customers' needs

We serve our customers' needs by providing simple, convenient and affordable banking products, and by investing in service and digital innovation to deliver the best customer experiences.

New lending for Australian home buyers

$92 billion

New lending for Australian businesses

$36 billion

New personal transaction accounts opened for customers

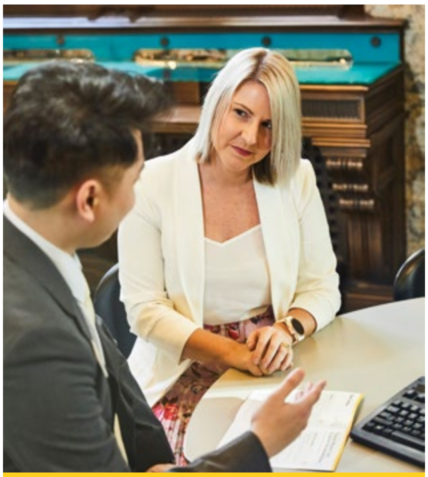
1.2 million

This year we have focused on listening to our customers and putting their needs first. Under our 'Better for you' initiative, since February we have announced, on a weekly basis, the actions we are taking to provide the banking experiences our customers want and deserve.

For retail customers, our Retail Banking Services business has introduced a new service promise: 'Simple and easy every day, brilliant when it matters'. This means getting the basics right every time a customer interacts with us; and in the critical moments, going above and beyond to exceed their expectations.

Our Business and Private Banking business has launched the 'Every 1 Matters' program to ensure the best outcome for every customer, at every touchpoint.

'Better for you' has driven a range of customer initiatives, including the launch of Apple Pay and our commitment to maintain passbooks which are used by more than 400,000 loyal customers. It has also included business customer focused improvements. For more details see: commbank.com.au/betterforyou.

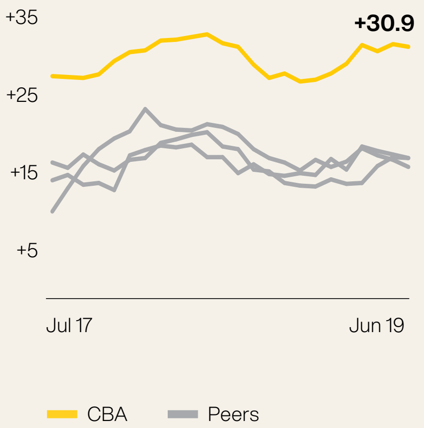


Better for business

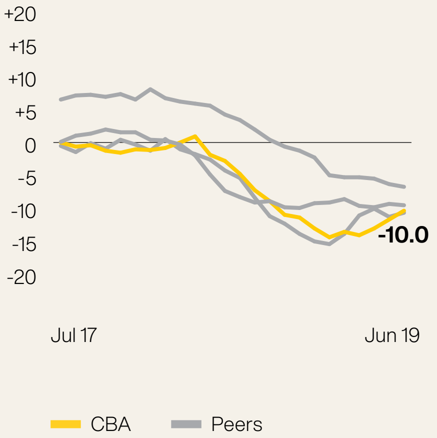
To simplify and improve our business customers' banking experience:

- we removed 10 business banking fees
- we established a new team of specialists to help small business customers in financial difficulty get their businesses back on track (the team has reviewed 353 cases to date)
- we now provide real-time smart alerts when balances are low or high, or when there is an incoming payment
- we launched BizExpress™, enabling same day decisions on simple business loans.

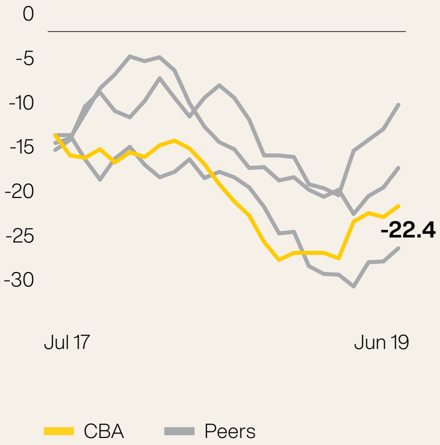
Internet banking NPS



Consumer NPS



Business NPS



Customers (continued)

Improving customers' financial wellbeing

Financial wellbeing is important to our customers and underpins the Bank's purpose.

In simple terms, it means staying on top of every day, rainy day and one day finances.

To help customers understand their level of financial wellbeing we have partnered with the Melbourne Institute of Applied Economic & Social Research. Our two-year collaboration has culminated in a world-first – Financial Wellbeing Scales that combine how customers feel about their financial wellbeing with objective banking data.

According to the observed data, there has been a modest decline in financial wellbeing over the past 12 months. More than one in three customers are struggling with money management and two in five are unable to handle a major unexpected expense.

Working towards better financial health

We are using this research and our partnership with Harvard's Sustainability, Transparency and Accountability Research Lab (STAR Lab), to apply behavioural science towards finding better ways to serve our customers and to develop tools that improve their financial wellbeing.

To help our customers better manage their finances and make more informed financial decisions, we have launched a range of features in the CommBank app that enable customers to monitor cash flows, track spending, avoid fees and set savings goals. This year alone, we have sent over 20 million smart alerts and have helped customers save $275 million in fees and charges.

Through our new tool, Benefits finder, we are connecting customers with rebates and benefits offered by government agencies or third parties. We aim to help our customers access $150 million entitlements annually.

We are also evolving our products and how they are sold to ensure that customers make informed choices, for example by highlighting both negative and positive features of a credit card before they choose to apply.

For more information on the CBA-Melbourne Institute research visit commbank.com.au/fwb.

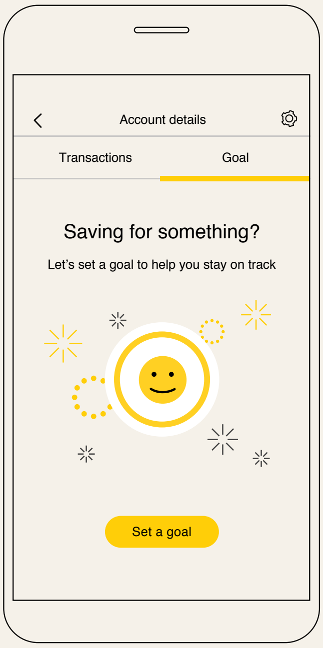
Smart alerts sent to customers each week

500,000+

Changes to fees and charges benefiting customers

$275 million

How the CommBank app helps customers control their finances



Saving for something?

Let's set a goal to help you stay on track

Every day finances

Manage day-to-day expenses and bills

Transaction notifications	Spend tracker	Cash flow view	Credit card reminders
Receive a notification when you spend or have been paid	See where your money is going by category of spend	Get a complete view of income, spending and savings habits, including trends over time	Be notified when your credit card payment is due

Rainy day finances

Handle unexpected financial emergencies

Overdrawn alerts	High cost transaction alerts	Emergency savings
Receive a real-time alert when your account becomes overdrawn, and avoid a fee if settled by midnight	Be notified of extra costs involved in cash advances on credit cards	Create an emergency fund to prepare for unexpected expenses

One day finances

Create savings goals and put money away for the future

Portfolio view	Goal tracker	Retirement calculator
See all your assets and liabilities in one place	Set and track goals to encourage saving	Estimate how much money you may have when you retire

Listening to our customers

Addressing customer complaints

Taking complaints seriously and dealing with them quickly, and in a fair and transparent way, is critical to earning our customers' trust.

All staff are trained to work with customers to resolve their complaints. The most sensitive and complex complaints are escalated to Group Customer Relations (GCR).

If a complaint is not resolved within five business days of receipt, a full internal dispute resolution process is applied to the matter, in accordance with ASIC's guidance. Using this criteria we handled 69,503 complaints this year, an increase of 12% on 2018.

During the Financial Services Royal Commission the Bank saw an increase in the number of complaints. In November 2018, the Australian Financial Complaints Authority was established further raising awareness of the complaints process to customers and the avenues available to them. We are responding to the increase in complaint volumes by adding more resources in GCR and improving training for frontline staff to help them better handle customer complaints.

Customers who are unhappy about the outcome of a complaint investigated by CBA or Bankwest can refer it to the Bank's Customer Advocate for an independent review. The Customer Advocate's decisions are final and binding on the Bank, but not on customers who are still free to go to an external dispute resolution body.

We are also doing more to identify and fix the root causes of complaints so they don't recur.

Helping customers in hardship

Customers experiencing financial hardship are supported by our Financial Assistance Solutions team which works with the customer to assess their situation and to offer solutions tailored to their needs.

Solutions can include a period of reduced payments, extension of the term of a loan or debt restructuring.

This year we helped approximately 64,000 customers experiencing financial hardship.

Advocating for customers

The independent Customer Advocate team champions fairness for customers across the Bank – particularly for those who are marginalised, disadvantaged, or find the financial system difficult to navigate.

The team works to remove barriers to banking and improve products, processes, systems and decision making. Using a data-driven approach to review customer complaints and identify poor customer outcomes, the team is able to investigate and fix problems before they become systemic issues.

This extends to working with industry bodies and specialist services to make sure that new technology, products and services developed by the Bank consider the needs of all customers, while also improving existing services to address accessibility issues.

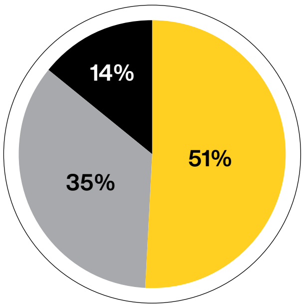
The team also engages more broadly with the community to understand and consider community needs. As part of this work, the Customer Advocate team developed a 'Safe & Savvy' guide to help protect older people and their families from financial abuse, scams and frauds. The guide was distributed across all branches in Australia and given to community organisations. The program has been widely supported by aged care and community sector partners.

This year the team held a range of community events, regional visits and workshops focused on improving financial inclusion, and covering issues such as cognitive decline and improving access for customers with a disability.

The team's visits to regional areas strengthen relationships between community organisations and local Bank staff, and allow the team to meet with individual customers who have long-standing concerns. These visits also help to increase the Bank's awareness and understanding of important local issues.

The Customer Advocate team has translated key resources – such as the *Banking in Australia Guide* and the *Addressing Financial Abuse Guide* – into multiple languages. It has also been helping to identify ways to improve refugees' understanding of the Australian financial system.

Outcomes from the Customer Advocate review process



🟨 Customer Advocate agreed with the Bank's decision

▨ Customer Advocate agreed with the Bank's decision but took further action to deliver a fair and reasonable resolution

⬛ Customer Advocate disagreed with the Bank's decision and substituted a new decision for the customer

Cases referred to the Customer Advocate

1,022

Average days to resolve complaints

11.6

Community

Trusted and reputable

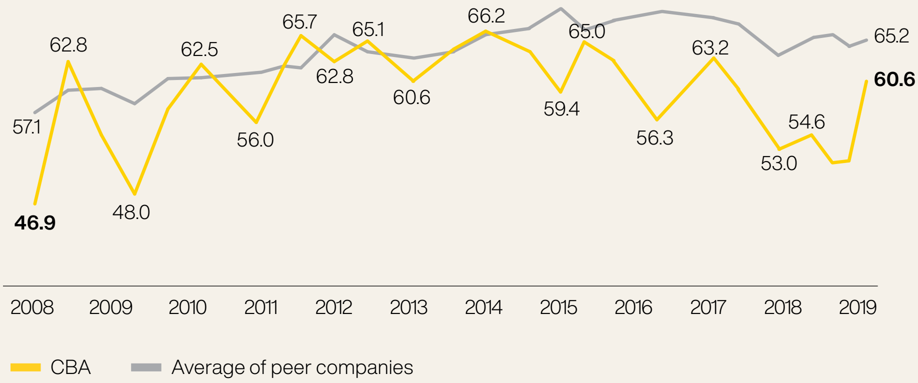
OUR GOAL
Top quartile
among peer companies for reputation improvement

Focusing on reputation and trust

Our goal is to be in the top quartile among peer companies for reputation improvement.

We measure our performance using the independent RepTrak survey conducted by Reputation Institute. To underscore the importance of rebuilding our reputation and trust, executive leaders' long-term variable remuneration is in part linked to relative improvements in our RepTrak score (see page 95 for more details).

Reputation score versus peer companies



Source: RepTrak Australia, Q2 June 2019, Reputation Institute. Peer companies is the average of 16 of the largest consumer-facing companies listed on the ASX.

Community investment

$281 million

Includes cash, volunteering, forgone revenue and project costs

CommBank Foundation community grants

236

Employee pro bono and volunteering hours

18,000+

Earning trust

Recently, we have failed to meet community expectations and this has damaged our reputation and undermined the community's trust in us. Trust is the cornerstone of our business as it underpins our ability to operate and create value for our stakeholders.

To earn trust we need to show that we are trustworthy. We know that this will take time and will require us to consistently demonstrate our actions. We are focused on:

- being capable and reliable
- doing the right thing
- improving stakeholder outcomes.

Making a positive contribution to society

Given our heritage, and the role we play in the economy and the community, we must make a positive and meaningful contribution to society.

CommBank Foundation

The CommBank Foundation, our people's charity, has been supporting the wellbeing of the Australian community for more than 100 years. Under our current Community Grants program, we have made a three-year commitment to award more than $9 million to 236 community organisations.

This year we celebrated 20 years of supporting the Humour Foundation's Clown Doctors, with more than $5.5 million donated during this time. Clown Doctors use humour to improve the quality of life of children and their families in every major children's hospital in Australia.

Investing time in the community

Our people continue to share their time and expertise with the community. In 2019, more than 2,100 students worked with a Commonwealth Bank mentor through the Australian Business and Community Network (ABCN). For 12 years running, CBA employees have supported students across Australia through programs on leadership, career planning and entrepreneurship. ABCN research shows that 93% of students who participate in a flagship ABCN program complete year 12, or equivalent; compared with the national average of 74%, or 61% for disadvantaged students.

Through our pro bono services, employees apply the skills they use at work to help community organisations achieve their strategic objectives. This year our flagship partner, Jawun, reached the milestone of placing 3,000 secondees with Aboriginal and Torres Strait Islander organisations. We have been proud participants in this program since 2011 with 138 of our employees having worked with indigenous community groups and businesses.

Little Wings for children in need

Voted as the CommBank Foundation New South Wales grant recipient from 2017 to 2019, Little Wings transports sick children from rural areas to hospital for treatment.

This year, our people's generosity enabled Little Wings to purchase a brand new twin engine aircraft to ensure they can continue to fly safely across the state.

In recognition of the Foundation's support, Little Wings invited Commonwealth Bank staff to name the new plane. The name *Caladrius* was selected. *Caladrius* takes its name from a Roman mythical bird that can take away sickness and provide healing.

Community (continued)

Supporting financial education

We believe that financial education is key to the long-term health and personal success of younger generations.

Building on our 85-year commitment to financial education, we continue to help young Australians learn the skills they need to successfully manage their finances.

Investment in education programs

$13.1 million

Students provided with financial education

427,500+

CBA Start Smart

84,600+

ASB GetWise

CBA school banking participants

244,600+

Start Smart

Start Smart is a free financial education program that has assisted more than 3 million students in learning important money management skills. This year, we had more than 427,500 primary and secondary students participate in Start Smart classes. It is the world's largest in-school financial education program of its kind.

ASB GetWise

ASB GetWise is New Zealand's largest youth financial education program that teaches basic financial literacy skills, including identifying needs and wants, establishing good savings habits, and learning to budget. This year, it delivered 3,369 workshops to 334 schools, and reached more than 84,600 registered students.

Commonwealth Bank Teaching Awards

Now in their third year, the Commonwealth Bank Teaching Awards were created through a partnership between the Commonwealth Bank and Australian Schools Plus. The awards recognise educators using exceptional leadership skills to positively influence student outcomes in challenging and socially-diverse communities.

This year 12 recipients were awarded a $45,000 Teaching Fellowship to fund a strategic project in their school as well as further their own professional development.

Recognising great teachers

Yasodai Selvakumaran is a Humanities Teacher who specialises in History and Society & Culture at Rooty Hill High School. Yasodai's outstanding classroom practice and leadership, collaboration with other educators, and advocacy for the teaching profession led to a 2018 Commonwealth Bank Teaching Award.

The Award has enabled Yasodai to create a project looking at how teachers can develop more innovative approaches to learning and assessment. Yasodai has also used the funds to pursue post-graduate studies in Education Research at Deakin University and to participate in the International Congress for School Effectiveness and Improvement in Stavanger, Norway, in January 2019.

Yasodai was shortlisted as a Top 10 Finalist for the Global Teacher Prize 2019.

Financial wellbeing for the community

Our purpose includes improving the financial wellbeing of the communities we serve. We understand that communities can be impacted by events that are out of their control, and we try to find ways to help them.

Improving financial wellbeing by addressing financial abuse

We have an important role to play for customers, employees and members of our community who are impacted by domestic and family abuse.

Over three years, our Domestic and Family Violence Assistance Program has supported more than 6,000 customers and their families experiencing domestic or family violence. The program provides vital access to trauma counselling services to anyone who calls the service, and appropriate referral support for our customers, including for help with their financial wellbeing.

Through this work, and in close collaboration with experts in the sector, we've seen the impact on those directly affected, and on their wider communities. We've also seen the harm caused by financial abuse, when an abuser uses money and assets as a means to gain power and control over their partner or relative.

The Bank has committed $25 million to support customers impacted by domestic violence. We have pledged a further $5 million to support those impacted by financial abuse through domestic and family violence. In partnership with leading community organisations, we are making these investments to support those affected achieve long-term financial independence.

Support for drought affected communities

This year we provided tailored assistance for agribusiness and commercial business customers in drought affected areas to give them peace of mind, as well as the flexibility to make arrangements to get their businesses back on track.

Through the collective efforts of our people, customers and the Australian Red Cross we raised more than $7 million to help farmers and communities in affected regions. Almost $4 million was raised through CANGive, the fundraising tool on the CommBank app.

Funds committed to domestic violence and financial abuse assistance

$30 million

Donations raised for drought affected communities

$7+ million

Helping our farmers

Farmers across Australia understand the effects of drought.

Moree Branch Manager, Marla Hosegood, saw first-hand how her customers were suffering and wondered what more could be done.

Backed by her colleagues across New South Wales and the Australian Capital Territory, Marla helped raise funds for the Burrumbuttock Hay Runners, a group that takes donated hay to drought affected farmers.

Nationally, Commonwealth Bank branches raised more than $462,000 for the Burrumbuttock Hay Runners.

Our people

Energised, accountable

OUR GOAL

Top 10%

globally for our employee engagement score

Focusing on employee engagement

To deliver our strategy we must have an energised and accountable team that cares deeply about our customers and is committed to our purpose and values.

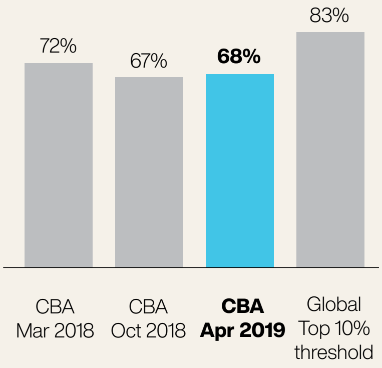
Our purpose of improving financial wellbeing for our customers and communities provides clarity to our people, and helps them connect the work they do with what we are aiming to achieve as a bank.

Our values state what we stand for, and set expectations for our actions and behaviours:

- We do what is right
- We are accountable
- We are dedicated to service
- We pursue excellence
- We get things done

To measure how engaged our people are, and to assess progress on embedding our strategy, purpose and values, we conduct the 'Your Voice' survey twice a year. An Employee Engagement Index score is calculated based on responses to questions relating to satisfaction, commitment, advocacy and pride.

Employee Engagement Index score (%)



Number of employees

48,238

Salaries and superannuation paid to our people

$5.9 billion

Restoring pride

Our recent employee engagement scores show the impact of the public scrutiny of the Bank and the financial services industry over the past year. The lowest score of 67% was recorded during the Financial Services Royal Commission hearings last August and September. These events had a negative impact on our people, especially on their pride in the organisation.

There is much work ahead to restore pride and to achieve our ambitious target of being in the top 10% globally for employee engagement. The small improvement of 1% in the most recent survey is at least a step in the right direction. The strong participation rate of 88% was also encouraging, as was the 92% score for each of: connection to our purpose; holding ourselves and others to high standards; and understanding of our customers and their needs.

Strengthening our culture

The Bank's culture is set by our leadership so during the year we held a series of leadership development forums designed to equip our leaders with the mindset and behaviours required to lead cultural and behavioural change throughout the organisation. These leadership forums were also designed to support the objectives of our APRA Remedial Action Plan.

To make tangible and lasting changes to our culture, and to deliver a simpler, better bank, we are helping our people develop five key skills: self-reflection; trust; constructive challenge; giving and receiving feedback; and the 'Should We?' test. These skills are being discussed, developed and embedded through team workshops and ongoing check-ins and reviews.

In addition to ensuring our people understand what is expected of them, we also need to encourage and support them to speak up when they feel our values have been compromised.

The Bank's whistleblowing policy outlines the processes for investigating and resolving any misconduct and related issues that have been reported through our SpeakUP hotline or to senior leaders. The SpeakUP hotline allows an individual, including a current or former employee, contractor, consultant or supplier, to anonymously raise a conduct issue. The whistleblowing policy prohibits any form of retaliation or victimisation, and includes protection from termination of employment, harassment and discrimination. This year we had 311 misconduct cases recorded under the SpeakUP program, of which 30 were whistleblower reports.

Helping our people pursue their passions

CBA has teamed up with Cricket Australia to make cricket more inclusive and accessible for all. In addition to our ongoing support – from grassroots to elite female cricket – our sponsorship funding extends to Indigenous and all-abilities cricket initiatives.

"I was born profoundly deaf and 10 years ago I founded the deaf cricket club. We struggled for funding for years but since CommBank came on board, cricket is the first non-Paralympic sport to have its national disability teams fully funded.

"We were about to compete in the 2018 Deaf T20 World Cup in India and visited a local deaf school in New Delhi. I just remember being swarmed by hundreds of kids, all trying to get photos. It was a surreal moment."

Andrew, Commonwealth Bank Group Operations
Instagram page @commbank

Our people (continued)

Stories from our people

Our people bring a multitude of backgrounds and perspectives to work where they share their ideas, talent and energy. We celebrate their unique stories on our 'Humans of CBA'.

Instagram page @commbank

> "What I've learned from working at CommBank, is that it's not about how much you know, it's about how much you're willing to learn."
>
> Jeffery, Commonwealth Bank Risk Associate

Building a diverse, inclusive culture

There is a strong correlation between a diverse and inclusive workforce and positive outcomes for our customers, shareholders and the community.

Our Global Diversity and Inclusion Strategy seeks to build an inclusive culture that embraces the diversity of our people and creates a sense of connection and belonging. This strategy is built on the experiences of our people and customers. It aims to build understanding and to ensure fair and inclusive decision making.

Our employee-led networks foster inclusion and inform solutions for our people and our customers. They include: WeCAN (gender equality), Advantage (life-stage and age), Yana Budjari (Aboriginal and Torres Strait Islander peoples and cultures), Unity (sexual orientation and gender identity), Mosaic (cultural diversity), and Enable (accessibility and inclusion for people with a disability).

Our key workforce diversity metrics are reported on pages 301 and 302. This includes our Cultural Diversity Index, which shows that overall the Bank is more culturally diverse than the Australian population (based on the Australian census). We also have a commitment to role model reconciliation and believe our Australian workforce should have the same proportion of Aboriginal and Torres Strait Islander peoples as the broader community, so we have set a target to reach this level by 2026.

We continue to make progress towards achieving our women in leadership targets through regular reporting of gender metrics, inspecting decisions to ensure they are fair and equitable, and listening to our people's experiences.

We continue to be committed to gender pay equity, reviewing it throughout the year and as part of our annual remuneration review process. Detailed information on gender pay equity is provided on page 301.

We also believe that flexible working practices, when used as a strategic tool to improve business outcomes and employee wellbeing, can strengthen a performance culture. Through our iCANFlex program we provide tools that enable our people to work in a way that makes sense for them.

We know that the sharing of caring responsibilities for children promotes workforce participation. With this in mind we have been working to ensure that our approach to parental leave is gender inclusive, particularly to improve men's access to parental leave. Across our Australia-based employees, we continued to see more men access parental leave.

Promoting employee wellbeing

The health, safety and wellbeing of our people is of paramount importance.

We work to continuously improve the safety of the workplace, including in key areas such as customer aggression, mental health and work-related driving.

We also implement an employee wellbeing program. We maintain seven permanent health and wellbeing hubs in our offices, and have introduced two mobile hubs to service workplaces outside city centres. The hubs include new health technology to test overall wellbeing, hearing, eye health and stress. We have recorded 78,000 employee health interactions in the last 12 months.

We provide a confidential telephone-based service, called My Coach, which provides our people and their immediate family members with access to a team of professional coaches who are trained to assist with a wide range of issues including family and relationship problems, challenges at work, dealing with grief, managing stress and guidance on parenting. Our online wellness portal, Thrive, also offers personalised support, resources and information for physical and psychological health and wellbeing, including financial wellbeing.

CBA was a proud recipient of the 'Best Health and Wellbeing Program' at the 2018 Australian Human Resources Awards.

Average hours of training per employee

25.2 hours

% employees working flexibly

73.9%

% of employees taking parental leave who are men

38.3%

Women in leadership

Executive Manager and above roles

39.1%

40% 2020 target

Manager and above roles

45.0%

45% 2020 target

Skilling our workforce for the future

We support our people by helping them to build the capability and skills to do their jobs well, adapt to new ways of working, and deliver the best outcomes for our customers.

The Group provides an average of 25.2 hours of training per employee, which includes mandatory learning to ensure risk and development opportunities are managed effectively.

The way we work and the work we do are changing rapidly. Some work will go and some will change and new skills will be required, so it is our responsibility to make sure we support and reskill our people.

Current initiatives and pilots include the reskilling of some of our people as cyber security analysts, which helps address an industry-wide gap in cyber security. We also provide rolling rotations and 1-5 day shadowing opportunities to help our people expand their network, learn new skills and gain broader career experiences.

Indigenous career opportunities

Our Indigenous Careers team has partnered with Indigenous and community organisations to deliver career opportunities. 69 Indigenous trainees were provided with school-based and full-time traineeships. 48% of the trainees secured employment with the Bank on completion of their traineeships.

As a 10x10 partner of the CareerTrackers Indigenous Internship Program, we provide 25 internship opportunities each year for Indigenous university students. Since 2015, this partnership has provided a pathway for 25 graduates into our Graduate Program with a further six graduates joining us next year.

Our Enterprise Services Indigenous Employment Program creates alternative pathways into IT careers at CBA, and supports our goal of building Indigenous representation in our domestic workforce. This program was a finalist in the 2018 Australian Human Resources Institute Stan Grant Indigenous Employment Award.

Closing the gap in Indigenous employment in tech

When Jake was growing up on the Central Coast of New South Wales, he never expected he would end up working in the tech industry.

Jake applied for various roles but did not get any feedback on his job applications. He says, "It seemed like I just wasn't being given a chance to prove myself."

Then Jake learned about an opportunity to explore a career in tech through CBA's Enterprise Services Indigenous Trainee Program.

The 12 month program offers on-the-job training and certified skills to give trainees industry-recognised qualifications once they finish. Almost 30 trainees have passed through the training program, with many continuing their careers in areas as diverse as robotics and cyber security.

Jake has recently accepted a role as an Associate Analyst at CBA and says, "If it wasn't for this opportunity, I wouldn't be working in this area at all. Since joining, I've never looked back."

Shareholders

Long-term sustainable returns

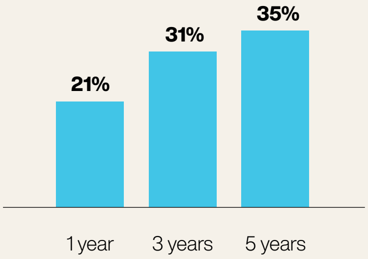
OUR GOAL
Top quartile
TSR outperformance relative to peers

Focusing on total shareholder returns

Our aim is to deliver sector-leading returns and a sustainable dividend stream.

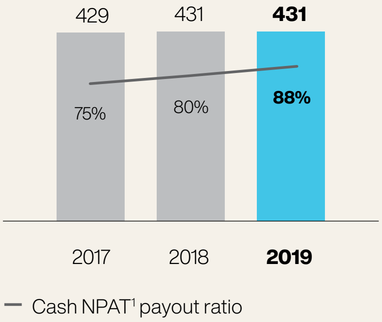
We achieve this by focusing on both operating performance and capital generation.

Total shareholder return



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

Dividend per share
Fully franked, cash basis



The Bank seeks to pay cash dividends at strong and sustainable levels. This year 88% of cash net profit after tax is being returned to shareholders as dividends.

[1] Cash NPAT inclusive of discontinued operations.

Returned to shareholders as dividends

$7.6 billion

Australian ownership of CBA

78%

Direct ownership by retail shareholders

51%

Dividend amount received by the average retail shareholder

$3,702

Delivering for shareholders

The quality of the Bank's franchise, including our customer, distribution and technology strengths, has supported strong and consistent operating performance over time. In particular, the strength of our performance in deposits means that we have reliable access to lower cost funding. This enables us to continue to support our customers in different economic environments.

We also manage our balance sheet prudently to remove earnings volatility, and focus on risk-adjusted returns to efficiently allocate capital across our businesses.

The combination of performance, resiliency, capital discipline and credit quality management helps us to deliver returns and dividends for our shareholders.

As a result of these strengths CBA has had sector-leading return on equity and premium valuation and trading metrics.

Income for shareholders and the economy

This year our full year dividend was $4.31 per share, returning $7.6 billion to shareholders. With more than 830,000 shareholders holding CBA shares directly, and with millions more invested through their superannuation, we understand the importance to shareholders of the income they receive via their dividends.

That is why our dividend policy seeks to: pay dividends at strong and sustainable levels; target a full-year payout ratio of 70-80%; and maximise the benefits to shareholders by paying fully franked dividends.

With Australians owning 78% of the Bank, the dividends we pay also directly support the Australian economy.

We are also one of Australia's largest taxpayers and had a tax expense of $3.4 billion in FY19.

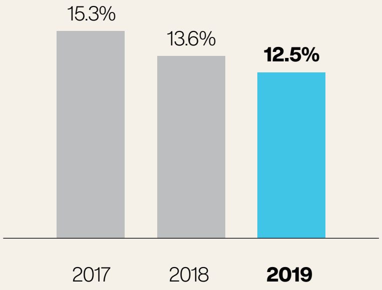
Sustaining performance

Our strategy to become simpler and better helps position the Bank to continue to deliver strong and sustainable returns in the current economic environment of lower credit growth and lower interest rates.

By divesting non-core businesses we are removing complexity and costs. This allows us to concentrate on our key areas of competitive advantage in retail and commercial banking, and to invest in our market-leading digital banking offering. Our work to deliver better risk and customer outcomes is focused on earning the trust of our customers and the community.

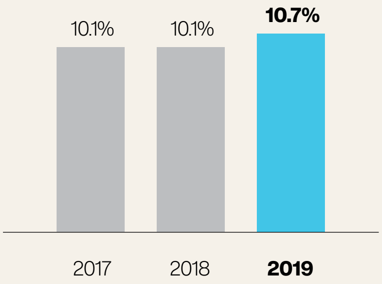
Combined with our long-term balance sheet settings and strong capital position, we are positioned to continue supporting customers and to performing for all stakeholders, including shareholders.

Return on equity
Cash, continuing operations



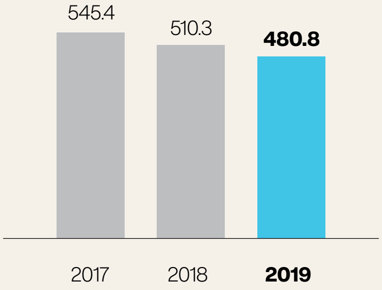
Return on equity (ROE) measures the Bank's profitability. It represents the net profit generated as a percentage of the equity shareholders have invested.

Capital
Common Equity Tier 1 capital ratio (APRA)



Our Common Equity Tier 1 (CET1) capital ratio measures the Bank's ability to absorb unexpected losses. It compares the Bank's core capital with its risk weighted assets. Our CET1 ratio is above APRA's 'unquestionably strong' benchmark of 10.5%.

Earnings per share
Cash, continuing operations



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

Good business practice

We are committed to doing business in a way that is fair, responsible and sustainable.

We are guided by global frameworks and standards.

The United Nations Sustainable Development Goals are 17 goals that provide a framework to address issues such as poverty, hunger, inequality and environmental degradation. We identify and map the SDGs that are most relevant to our strategy and stakeholders.

We are a signatory to the United Nations Global Compact which encourages businesses to adopt sustainable and socially responsible policies. We are committed to implementing the UNGC's principles covering human rights, labour, the environment and anti-corruption.

Our non-financial reporting is presented in accordance with the Global Reporting Initiative Standards (Core option) which provides global standards for sustainability reporting. Our GRI content index is available at: commbank.com.au/investors.

Open and transparent engagement

We are focused on responsible, balanced and transparent policies and decisions.

Our new Code of Conduct brings together the policies and standards of behaviour that help us deliver better outcomes for all stakeholders. The Code guides how we act, solve problems and make decisions.

In the same way, the Australian Banking Association Code of Banking Practice outlines how a bank should conduct itself in meeting the needs of customers. We were active participants in developing the new code which came into effect on 1 July 2019. It brings important changes including plain English contracts, more inclusive and accessible services, and improved transparency around fees.

We engage with our stakeholders to understand and respond to the issues they consider material. We have continued to consult with our stakeholders to solicit feedback on our approach and to ensure there are appropriate channels for issues and opportunities to be raised, discussed and incorporated into our processes.

Regulators

We have adopted a more proactive and transparent approach to engaging with regulators.

Our new Regulatory Engagement Standard aims to strengthen our relationship with regulators by outlining a clear process and responsibilities for handling requests, managing interactions and escalating issues.

We also have a substantial program of change underway in response to the Financial Services Royal Commission Final Report, and as part of our APRA Remedial Action Plan. The Bank has participated in more than 60 government inquiries in recent years which have led to changes in legislation, regulation and industry practice.

Political donations

Our Group Government Relations Policy explicitly precludes the Bank from making political donations. However, we pay to attend some political events aimed at the business community. To attend these events in the 2019 financial year we contributed $73,000 to the Australian Labor Party, $75,720 to the Liberal Party of Australia and $13,750 to the National Party of Australia. These payments are disclosed in line with the requirements of Federal and State governments.

Industry associations

The Bank is a member of a number of industry associations and we participate both through those associations and directly with policy makers in the development and advocacy of public policy positions. Industry associations usually represent a range of members with diverse interests, so the policy positions adopted by an industry association should not be assumed to represent the views of the Bank.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

We are a supporter of and report in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The TCFD contains recommendations for voluntary and consistent climate-related financial risk disclosures. See the Our approach to addressing climate change section on page 55 for more information.

EQUATOR PRINCIPLES

We have adopted the Equator Principles III, a set of standards to assess, mitigate, manage and monitor Environmental, Social and Governance (ESG) risks in project-related financing. Our EPIII reporting is available at: commbank.com.au/EPIII.

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

Listed on the Dow Jones Sustainability Index (DJSI) Asia-Pacific.

FTSE4Good

Listed on the FTSE4Good index since 2009 for demonstrating strong ESG practices.

CDP DISCLOSURE INSIGHT ACTION

We participate in the CDP Climate Change survey, and in 2018 scored 'B' for taking co-ordinated action on climate change.

Good business practice (continued)

Greenhouse gas emissions per FTE (Scope 1 & 2), Australia

2.1

Low carbon financing

$5.1 billion

Taking a responsible approach

As a major financial institution, our influence extends beyond our direct operations to our customers and suppliers.

We continue to strengthen our responsible lending, investing and procurement practices and use our influence to improve environmental, social and economic outcomes.

This year the Bank developed a new Group Environmental and Social Policy. It consolidates existing external positions and outlines our commitments to managing the environmental and social impacts of our business. More information on the policy is available at commbank.com.au/policies.

Responsible lending

Assessing potential transactions for Environmental, Social and Governance (ESG) risks is a key step in our due diligence process. All Institutional Bank loans, as well as large loans in other business units, are evaluated through the Bank's compulsory ESG risk assessment process which completes an initial assessment based on country of operations and over 500 industry sectors. The system relies on escalation and good judgement with additional due diligence required for transactions with a medium or high ESG risk profile. The industry sector risk ratings that form the basis of the ESG risk assessment process are reviewed annually.

Our client relationship, risk and product team members complete refresher training on ESG risks each year. We update this training annually to capture new developments in ESG risks.

Project finance loans follow the Equator Principles' comprehensive environmental and social risk management process.

Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted by 193 countries, including Australia and New Zealand in 2015, in support of the UN's Sustainable Development Agenda. We have identified the SDGs that are most relevant to our business and stakeholders.

SUSTAINABLE DEVELOPMENT GOALS

Customers	We show our customers that we are on their side through service excellence, supporting financial wellbeing, good customer outcomes and advocacy, and digital innovation.	1 NO POVERTY 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALI 17 PARTNERSHIPS FOR THE GOALS
Community	We are rebuilding trust and our reputation by engaging proactively and openly with government and regulators, investing in communities and education, and role-modelling reconciliation.	4 QUALITY EDUCATION 7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 10 REDUCED INEQUALI 11 SUSTAINABLE CITIES AND COMMUNITIES 17 PARTNERSHIPS FOR THE GOALS
Our people	We motivate our people through leadership and engagement, by promoting health, wellbeing, diversity and inclusion, and by providing training and career development.	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALI 17 PARTNERSHIPS FOR THE GOALS
Shareholders	We deliver sustainable financial performance through sound conduct, culture, governance, accountability, remuneration and responsible business practices.	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 17 PARTNERSHIPS FOR THE GOALS

Responsible investing

Within our wealth management businesses, we continue to take into account ESG factors when making investment decisions to ensure we deliver sustainable long-term investment outcomes.

Commonwealth Private developed two new ESG-focused investment solutions – an Ethical Model Portfolio and an Ethical Australian Shares Separately Managed Account.

Colonial First State (CFS) announced that it will no longer invest in companies associated with the production of tobacco and controversial weapons, and expects to be divested from these securities by the end of 2019.

Building on our commitment to the Principles of Responsible Investment (PRI), CFS took part in two global collaborative initiatives supported by the UN. We became a founding signatory to the United Nations Environment Program – Finance Initiative (UNEP FI) Tobacco Free Finance Pledge, and were one of the first Australian signatories to an open letter calling for the removal of controversial weapons manufacturers from global investment indices.

Number of employees trained on responsible lending, investment and procurement in FY19

1,055

Percentage of electricity sourced from renewable energy

65%

Human rights and modern slavery

We are committed to maintaining and improving processes to avoid any human rights violations related to our operations, supply chain, and our products and services. In compliance with the United Kingdom's Modern Slavery Act 2015, we publicly report on our actions in our modern Slavery and Human Trafficking Statements which are available at commbank.com.au/policies.

With the passing of new modern slavery legislation in Australia, we are strengthening our supply chain due diligence processes and are working to better understand our impacts.

We continue to be an active member of the Mekong Club, a not-for-profit association that engages, inspires and supports the private sector to lead the fight against slavery in Asia. As a member of the working group, we have also delivered awareness sessions on the issue of modern slavery to our people in Sydney and Hong Kong, and have provided in-kind support to the association.

Responsible procurement and supplier diversity

We partner with more than 5,000 suppliers to procure over $4.3 billion of products and services in the countries we operate in. Our supplier governance processes, supplier engagement, and supplier code of conduct help us to minimise ESG risks in our supply chain.

In preparation for the Australian modern slavery legislation, we have commenced a program of work to embed the legislated requirements into procurement policies, processes and capabilities. We have also launched a pilot program with a cross-section of 30 suppliers to survey the risk of modern slavery in our supply chain.

We are continuing our Indigenous Business Second Tier program, a partnership between the Bank and more than 25 key suppliers that explores opportunities for Indigenous businesses across the Group's supply chain. In addition to this program, key initiatives include collaborating with industry partners to set best practice standards, delivering cultural capability training for procurement managers, and launching a new supplier diversity website that provides direct access to the procurement team.

Green mortgage initiative

We are launching an innovative green mortgage initiative that rewards CBA mortgage customers by providing cashbacks to those who have certified solar panels installed and meet the eligibility criteria.

We are also encouraging and supporting customers who want to install small scale renewables and make their homes more energy efficient.

Residential properties make up a substantial portion of the property sector and contribute to greenhouse gas emissions.

As Australia's leading mortgage provider, we are in a strong position to innovate to build awareness of and support the transition to a low carbon economy.

Our supplier diversity program continues to grow with $6 million spent annually with 27 Indigenous businesses. This spend includes $3 million directly with suppliers and a further $3 million second tier spend.

Climate change

We play an important role in supporting Australia's transition to a low-carbon economy and are committed to reducing our environmental footprint. Our *climate-related disclosures* on page 55 outline our commitments to reduce our carbon emissions. They include continuing to expand our branch solar panel network and our participation in RE100 – whereby we have undertaken to source 100% of our electricity needs from renewable energy sources by 2030.

Financial performance

Group performance 41
Divisional performance 48

Group performance[1]

Group profit

Group profit, also known as Net Profit after Tax (NPAT), is a key measure of our financial performance. Our profitability directly impacts our ability to pay dividends at strong and sustainable levels. NPAT represents total operating income earned less the operating expenses, loan impairment expense and tax expense incurred during the year. We report NPAT on a statutory and cash basis. The statutory NPAT complies with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and International Financial Reporting Standards (IFRS). The cash NPAT is management's preferred measure of the Group's financial performance. It excludes items that tend to be non-recurring in nature and are not considered representative of the Group's ongoing financial performance (non-cash items). We use the cash NPAT to present a clear and consistent view of our financial performance from period to period. The reconciliation between the statutory NPAT and cash NPAT is provided on page 45.

Cash NPAT decreased 5% reflecting a continued challenging operating environment, though business fundamentals remained strong. The decrease was driven by a 2% reduction in total operating income, a 2% increase in operating expenses and an 11% increase in loan impairment expense.

Group profit for the year includes a number of notable items:

- provisions of $918 million for remediation of historical aligned advice issues, wealth and banking customer refunds and associated program costs as we continued to address the full range of issues impacting our customers
- risk and compliance program costs of $358 million. This includes costs associated with implementing the Royal Commission and APRA Prudential Inquiry recommendations and continued enhancement of our financial crime compliance capabilities
- insurance recoveries of $145 million in relation to the AUSTRAC civil penalty incurred in FY18
- the acquisition of Aussie Home Loans and eChoice in the prior year resulting in the consolidation of $275 million of operating income and $269 million of operating expenses for the year.

Notable items are outlined in detail on pages 42-43.

Cash NPAT ($m) ▼ **5%**

$8,492m

FY19	**8,492**
FY18	8,915

Statutory NPAT ($m) ▼ **8%**

$8,360m

FY19	**8,360**
FY18	9,057

Dividends

Dividends are discretionary distributions of profits to shareholders.

The final dividend determined was $2.31 per share, bringing the total dividend for the year ended 30 June 2019 to $4.31 per share, in line with the prior year full year dividend. The full year dividend payout ratio (cash basis) was 88%.

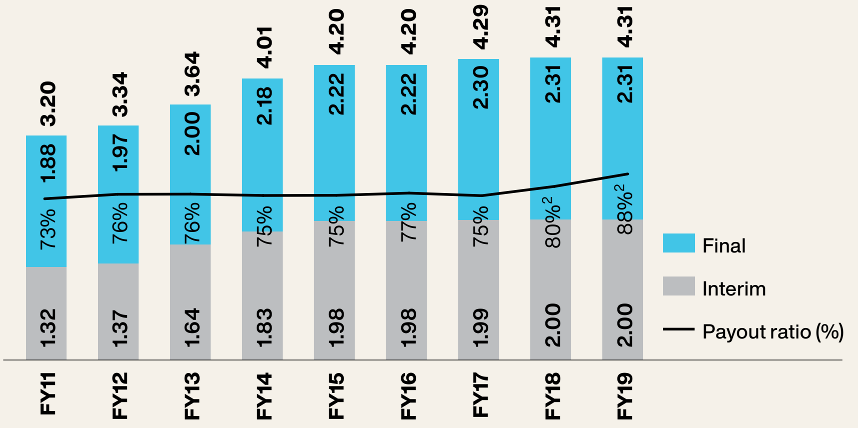
The final dividend will be fully franked and will be paid on 26 September 2019 to owners of ordinary shares at the close of business on 15 August 2019 (Record Date). Shares will be quoted ex-dividend on 14 August 2019.

The Group continues to offer a dividend reinvestment plan (DRP) under which shareholders can reinvest all or part of any dividend paid on their shares in additional shares instead of receiving the dividend in cash. No discount will be applied to shares allocated under the plan for the final dividend. The deadline for notifying change to participation in the DRP is 16 August 2019. The DRP for the 2019 final dividend is anticipated to be satisfied in full by an on-market purchase and transfer of shares.

The Board's determinations on dividends are guided by the Group's dividend policy which provides that the Group will seek to:

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

Full-year dividend ($ per share)



For further details on dividends, refer to Note 8.4 on page 199 in the *Financial report*.

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[1] Unless otherwise stated, all information in the Group performance section is presented on a continuing operations basis. Details of the Group's discontinued operations are provided on page 45 and Note 11.3 on page 260 in the *Financial report*.

[2] Payout ratios include the impact of notable items. Excluding the impact of notable items, payout ratios would be 80% in FY19 and 73% in FY18 (comparative restated).

Group performance (continued)

Operating income

Operating income includes net interest income and non-interest income, such as, other banking income including lending fees and commissions, funds management income and insurance income. Net interest income is the key contributor to the Group's results as lending and deposit taking are the Group's primary business activities. Net interest margin or NIM is an important measure of our financial performance representing the return on our interest earning assets (e.g. home loans) after accounting for the costs of funding these assets (e.g. deposits).

Excluding notable items, net interest income decreased 1%. The key drivers were:

- continued growth in home loans and deposits offset by a decrease in business and corporate loans as a result of portfolio optimisation initiatives and continued focus on risk-adjusted returns
- customers switching from interest-only and investor home loans to principal and interest, and owner-occupier home loans with lower interest rates
- elevated short-term funding costs during the period.

Excluding notable items, non-interest income decreased 5%. The key drivers were:

- the reduction and removal of certain fees and charges and the introduction of pre-emptive alerts on overdrawn accounts as we continued focusing on improving customer outcomes
- lower volumes of initial financial advice fees and removal of ongoing service fees in relation to our financial planning business from February 2019
- higher insurance claims as a result of significant weather events during the year.

Operating income for the financial year ended 30 June 2019 included $275 million of operating income (30 June 2018: $228 million) relating to the consolidation of Aussie Home Loans and eChoice. This has been included in notable items.

Total operating income ($m) cash basis ▼ **2%**

$24,407m

	FY19	FY18	% change
Net interest income	**18,125**	18,347	▼ 1%
Other banking income	**4,788**	4,982	▼ 4%
Funds management income	**1,072**	1,119	▼ 4%
Insurance income	**147**	238	▼ 38%
Total operating income excluding notable items cash basis	**24,132**	24,686	▼ 2%
Notable items	**275**	228	▲ 21%
Total operating income cash basis	**24,407**	24,914	▼ 2%

Net interest margin (%) ▼ **5 bpts**

2.10%

For further details on operating income, refer to Note 2.1 on page 130, Note 2.2 on page 132 and Note 2.3 on page 137 in the *Financial report*.

Operating expenses

Operating expenses include salaries and other benefits paid to staff, the cost of our IT systems and infrastructure, property and other costs. Managing costs with a focus on simplifying our processes and business is one of the key priorities for management. We use the ratio of operating expenses to total operating income to assess and manage the efficiency of our business.

Including notable items, operating expenses increased 2% as we continued to remediate customers for past issues, respond to regulatory findings and enhance our financial crimes compliance capabilities. The costs associated with addressing these issues are included within the notable items discussed below.

Excluding notable items, operating expenses increased 2% driven by:

Staff expenses increased 3% as a result of wage inflation and a 1% increase in full time equivalent staff (FTE), predominately in risk and compliance.

Occupancy and equipment expenses decreased 4% due to lower rental and depreciation expenses as a result of branch network optimisation and lower development costs for new corporate offices, partly offset by annual rental reviews.

Information technology services increased 8% due to higher investment spend particularly on risk and compliance initiatives.

Other expenses decreased 1% due to lower marketing costs and lower discretionary spend.

Total operating expense ($m) cash basis ▲ **2%**

$11,269m

	FY19	FY18	% change
Staff costs	**5,524**	5,369	▲ 3%
Occupancy and equipment	**1,079**	1,128	▼ 4%
Information technology	**1,904**	1,766	▲ 8%
Other expenses	**1,362**	1,379	▼ 1%
Total operating expense excluding notable items cash basis	**9,869**	9,642	▲ 2%
Notable items	**1,400**	1,353	▲ 3%
Total operating expense cash basis	**11,269**	10,995	▲ 2%

The increase in operating expenses and the reduction in operating income led to a higher operating expenses to total operating income ratio of 46.2% for the full year ended 30 June 2019 (30 June 2018: 44.1%).

For further details on operating expenses, refer to Note 2.4 on page 139 in the *Financial report*.

Full-time equivalent staff (FTE) ▲ **1%**

42,921

Notable items

The Group's financial results have been impacted by a number of notable items. In order to present a transparent view of our business performance, operating expense is presented both before and after notable items, described below.

Customer remediation (incl. aligned advice)
Customer refunds and program costs in relation to remediation issues impacting customers of our wealth management and banking businesses. This includes provisions for historical aligned advice remediation and associated program costs.

Risk and compliance programs
Risk and compliance programs including the cost of implementing the Royal Commission and APRA Prudential Inquiry recommendations, and continued enhancement of our financial crime compliance capabilities.

Mortgage broking consolidation
Impact of consolidating Aussie Home Loans and eChoice.

Notable items ($m) cash basis

	FY19	FY18	% change
Customer remediation (incl. aligned advice)	**918**	52	large
Risk and compliance programs	**358**	247	▲ 45%
Mortgage broking consolidation	**269**	199	▲ 35%
Insurance recoveries	**(145)**	–	n/a
Prior period one-offs	**–**	855	large
Total notable items	**1,400**	1,353	▲ 3%

Insurance recoveries
$145 million insurance recoveries in relation to the $700 million AUSTRAC civil penalty incurred in the prior year.

Prior period one-offs
Regulatory costs of $155 million relating to the Group's response to the Royal Commission, AUSTRAC proceedings, the APRA Prudential Inquiry and the $700 million AUSTRAC civil penalty.

Loan impairment expense, impairment provisions and credit quality

Credit risk is one of the largest risks we are exposed to as a result of our lending activities. The Group sets aside impairment provisions for losses that are expected to emerge within our lending portfolio due to bad debts, when customers are unable to repay their loans. Loan impairment expense reflects changes in our estimates of impairment provisions, as well as bad debts incurred during the year net of any recoveries. We use the ratio of total provisions to gross loans and acceptances to assess how adequately we are provided for against expected credit losses. Impaired assets are loans that are not meeting their repayment obligations. They include loans in default, loans that have been restructured to non-commercial terms due to the financial difficulties of the borrower or unsecured personal loans and credit cards whose minimum repayments are 90 days past due.

On 1 July 2018, we implemented a new approach to calculating impairment provisions as required by the new accounting standard, AASB 9 'Financial Instruments' (AASB 9). The new approach requires us to hold additional impairment provisions to account for the potential impact of adverse future forecast economic conditions on the credit quality of our portfolio.

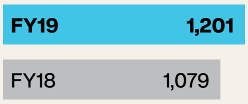
Loan impairment expense increased 11% driven by:

- an improvement in the credit quality of the corporate lending portfolio driven by portfolio optimisation initiatives and continued focus on risk-adjusted returns during the year; offset by
- consumer arrears trending higher as a result of subdued wage growth and cost of living pressures, particularly in Western Sydney and Melbourne; and
- an increase in troublesome and impaired assets due to emerging weaknesses in sectors impacted by discretionary spending. There was a small number of individual corporate impairments, and impaired assets continued to be influenced by home loan customers experiencing hardship.

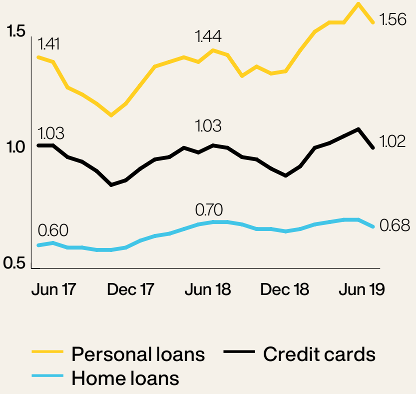
The credit quality of the Group's portfolio remains sound. The Group continued to maintain a very prudent level of credit provisioning with the total provisions for impairment losses to gross loans and acceptances ratio increasing to 0.63% (30 June 2018: 0.49%).

Loan impairment expense ($m) ▲ **11%**

$1,201m



Consumer arrears 90 days (%)

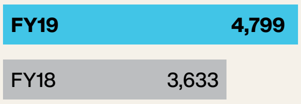


Troublesome and impaired assets ($m) ▲ **19%**

$7,799m

Total impairment provisions ($m) ▲ **32%** (including AASB 9)

$4,799m



The increase in total impairment provisions to $4,799 million was primarily driven by the additional $1,058 million of impairment provisions taken as the Group implemented AASB 9.

For further details on impairment provisions and credit quality refer to Note 3.2 on page 153 and Note 9.2 on page 205 in the *Financial report*.

Tax expense

Tax expense is income tax payable to tax authorities in jurisdictions where the Group operates. The effective tax rate is how much tax we pay per dollar of profit.

Income tax expense for the year decreased 12% and the effective tax rate for the year decreased from 30.5% to 28.8%. This was primarily due to the non-recurrence of the $700 million AUSTRAC civil penalty incurred in the prior year that was non-deductible for tax purposes.

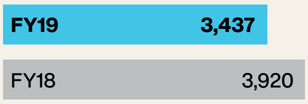
This rate is below the Australian company tax rate of 30% primarily as a result of the profits earned by the offshore banking unit and in offshore jurisdictions that have lower corporate tax rates.

CBA is one of Australia's largest tax payers.

Our Tax Transparency Code provides further information on our approach to tax risk management and tax information commbank.com.au/policies

Total tax expense ($m) cash basis ▼ **12%**

$3,437m



For further details on tax expense refer to Note 2.5 on page 141 in the *Financial report*.

Cash to statutory profit reconciliation

The analysis below provides a reconciliation between cash and statutory basis profits on a continuing operations and on a total basis including discontinued operations. Non-cash items are treated consistently from period to period.

Cash to statutory profit reconciliation ($m)

	Continuing operations		Total including discontinuing operations	
	FY19	FY18	**FY19**	FY18
Net profit after tax cash basis	**8,492**	8,915	**8,706**	9,412
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**(52)**	44	**(61)**	(183)
Hedging and IFRS volatility	**(79)**	101	**(79)**	101
Bankwest non-cash items	**(1)**	(3)	**(1)**	(3)
Treasury shares valuation adjustment	**–**	–	**6**	2
Net profit after tax statutory basis	**8,360**	9,057	**8,571**	9,329

Non-cash items

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.

Treasury shares

Valuation adjustments represent the elimination of gains and losses on CBA shares held through funds in the Wealth Management business.

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.

Bankwest non-cash items

The acquisition of Bankwest resulted in the recognition of assets at fair value, some of which have been amortising over their useful life. The transaction was considered one-off in nature.

For further details refer to the cash to statutory profit reconciliation on page 295 and 296 in the *Financial report.*

Net profit from discontinued operations

Discontinued operations refers to a major business or a subsidiary that the Group has sold during the financial year or plans to sell within the next 12 months. For reporting purposes, the Group's NPAT is presented excluding discontinued operations to provide a clear view of the ongoing performance of the business. The Group also reports NPAT including discontinued operations to provide shareholders with a complete view of the Group's performance.

During the financial year 2019 the Group completed the sale of Sovereign and TymeDigital SA. On 2 August 2019, the Group completed the sale of CFSGAM. The Group also previously announced the sales of CommInsure Life, BoCommLife and PT Commonwealth Life.

These businesses have been classified as discontinued operations during the financial year.

Cash NPAT from discontinued operations for the financial year 2019 was $214 million, a decrease of 57% compared to the prior year.

For further details on discontinued operations refer to Note 11.3 on page 260 in the *Financial report.*

Group performance (continued)

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. The Group manages the balance sheet in a sustainable and conservative manner to ensure a strong capital, funding and liquidity position.

Capital

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.

The Common Equity Tier 1 (CET1) capital ratio as at 30 June 2019 was 10.7%, above APRA's 'unquestionably strong' benchmark ratio of 10.5%.

CET1 increased during the year due to the following:

- the benefit of risk-adjusted profits generated in the ordinary course of business (organic capital);
- the benefit from the sale of the New Zealand life insurance operations; partly offset by
- dividends paid during the period to shareholders which have the effect of reducing capital, however this impact was partly offset via new shares issued to satisfy the Group's dividend reinvestment plan in respect of the 2018 final dividend.

Capital ratio CET1 (APRA) (%) ▲ **60 bpts**

10.7%

As at 30 June 2019	**10.7**
As at 30 June 2018	10.1

Liquidity and funding

Deposit funding ratio

69%

As at 30 June 2018: 68%

The deposit funding ratio represents the proportion of home loans and other income-producing assets that are funded by customer deposits. Customer deposits are considered the most stable source of funding.

The Group continued to satisfy a significant portion of its lending from customer deposits, accounting for 69% of total funding (up from 68% at 30 June 2018). This was due to growth in existing customers' transaction account balances and mortgage offset accounts.

Liquidity coverage ratio

132%

Average for the quarter ended 30 June 2018: 133%

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 2019 was 132% which is well above the minimum regulatory requirement of 100%.

Net stable funding ratio

112%

As at 30 June 2018: 112%

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 was 112% at 30 June 2019, flat on the prior year, and well above the regulatory minimum of 100%. The ratio was maintained through growth in retail deposit volumes to support the required funding for our long-term assets such as home loans.

Assets and liabilities

Over 75% of the Group's assets are loans to customers. The remaining assets primarily include investments, trading securities; and cash and liquid assets. 70% of the Group's liabilities are deposits from customers. The majority of the remaining liabilities include debt issues and subordinated debt issues referred to as loan capital. All these liabilities are used to fund the Group's assets and generate a return for the Group.

Total Group assets and liabilities ($m)

	As at		
	30 June 2019	30 June 2018	**% change**
Home loans	**522,942**	501,665	▲ 4%
Consumer finance	**21,993**	23,317	▼ 6%
Business and corporate loans	**214,953**	222,367	▼ 3%
Total Group lending	**759,888**	747,349	▲ 2%
Other assets (including held for sale)	**216,614**	227,816	▼ 5%
Total assets	**976,502**	975,165	–
Deposits	**635,300**	620,508	▲ 2%
Debt issues	**164,022**	172,673	▼ 5%
Other liabilities (including held for sale)	**107,531**	114,124	▼ 6%
Total liabilities	**906,853**	907,305	–

Home loans

Home loan balances increased 4% driven by lending growth in the Retail Banking Services and New Zealand business divisions partly offset by a decrease in Business and Private Banking.

Domestic home loans increased 4%, above banking system growth of 3%, notwithstanding increased competition from non-bank lenders and a challenging operating environment.

Deposits

Deposits increased 2% driven by strong transaction deposit growth. This was partly offset by a reduction in investment deposits in Institutional Banking and Markets due to lower demand for funding.

Domestic household deposits grew 4%, which was below the banking system growth rate of 5%, reflecting increased competition from non-major banks. The Group continues to maintain the highest share of stable household deposits in Australia.

Debt funding

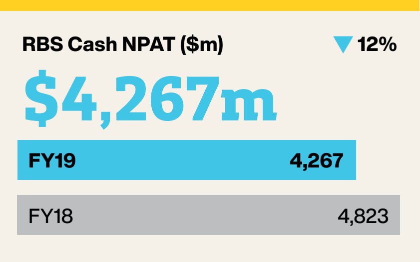
Debt issues decreased 5% compared to the prior year. Excluding the impact of foreign exchange, debt issues decreased 6% due to lower wholesale funding needs as deposit growth remained strong.

Divisional performance[1]

Retail Banking Services

Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all retail bank customers. The retail banking division also includes the Group's general insurance and mortgage broking businesses in Australia and Commonwealth Financial Planning.

Change in NPAT



Contribution to Group profit[2]

50%

Performance overview

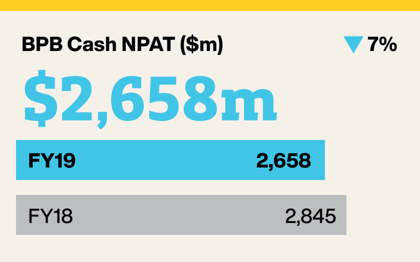
Retail Banking Services cash net profit after tax for the full year ended 30 June 2019 was $4,267 million, a decrease of $556 million or 12% on the prior year.

The result was driven by lower net interest margin as a result of higher short term funding costs and increased competition, lower other banking income from simplification and the removal of certain customer fees and charges and the introduction of pre-emptive alerts on overdrawn customer accounts. The decrease in cash net profit after tax was also driven by higher operating expenses due to wage inflation and higher risk and compliance spend, as well as higher loan impairment expense.

Business and Private Banking

Business and Private Banking provides specialised banking services to relationship managed business and agribusiness customers, private banking to high net worth individuals, margin lending and trading through CommSec, and retail banking products and servicing to non-relationship managed small business customers.

Change in NPAT



Contribution to Group profit[2]

31%

Performance overview

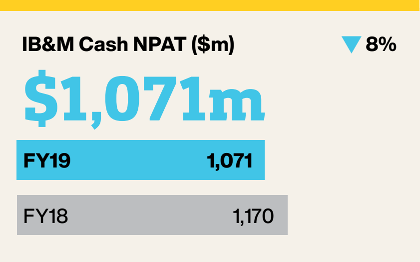
Business and Private Banking cash net profit after tax for the full year ended 30 June 2019 was $2,658 million, a decrease of $187 million or 7% on the prior year.

The result was driven by higher operating expenses due to an increase in customer remediation costs and regulatory and compliance costs. The decrease in cash net profit after tax was also driven by higher loan impairment expense, partly offset by higher fee income and improved net interest margin, reflecting growth in transaction deposits and repricing of business lending.

Institutional Banking and Markets

Institutional Banking and Markets services the Group's major corporate, institutional and government clients using a relationship management model based on industry expertise and insights. The client offering includes debt raising, financial and commodities price risk management and transactional banking capabilities.

Change in NPAT



Contribution to Group profit[2]

13%

Performance overview

Institutional Banking and Markets cash net profit after tax for the full year ended 30 June 2019 was $1,071 million, a decrease of $99 million or 8% on the prior year.

The result was driven by lower lending volumes and fees, partly offset by improved net interest margin, lower operating expenses and lower loan impairment expense.

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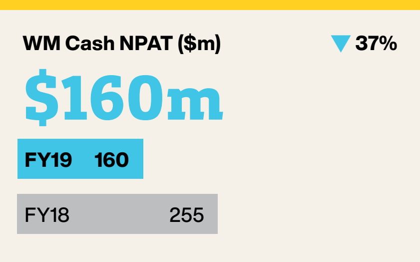
[1] Unless otherwise stated, all information in the Divisional performance section is presented on a continuing operations basis. Details of the Group's discontinued operations are provided on page 45 and Note 11.3 on page 260 in the *Financial report*.

[2] The Group's cash NPAT includes a cash net loss after tax from the Corporate Centre on a continuing operations basis of $941 million (30 June 2018: $1,305 million which is not included in the above discussion. Corporate centre includes the results of unallocated support functions such as Treasury, Investor relations, Group strategy, Legal and Corporate affairs.

Wealth Management

Wealth Management provides superannuation, investment, retirement and insurance products, and services including financial planning.

Change in NPAT



Contribution to Group profit[2]

2%

Performance overview

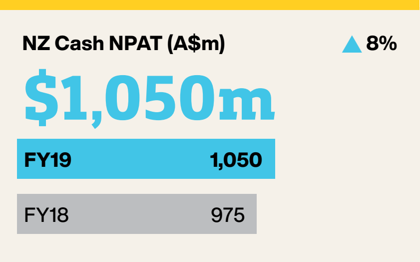
Wealth Management cash net profit after tax for the full year 30 June 2019 was $160 million, a decrease of $95 million or 37% on the prior year.

The result was driven by higher operating expenses due to customer remediation and higher regulatory and compliance costs. This was party offset by an increase in funds management income.

New Zealand

New Zealand includes banking and funds management businesses operating in New Zealand under the ASB brand.

Change in NPAT



Contribution to Group profit[2]

12%

Performance overview

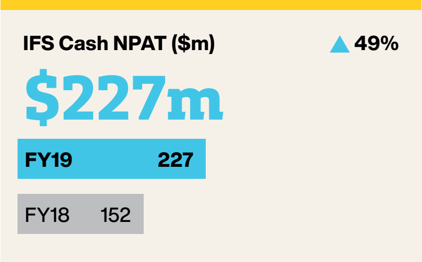
New Zealand cash net profit after tax for the full year ended 30 June 2019 was $1,050 million, an increase of $75 million or 8% on the prior year.

The result was driven by growth in home loans and business and rural lending balances, and higher other banking income. This was partly offset by lower net interest margin, higher operating expenses driven by increased risk and compliance staff, salary increases, and higher loan impairment expense.

International Financial Services

International Financial Services incorporates the Indonesian retail and business banking operations, and associate investments in China and Vietnam.

Change in NPAT



Contribution to Group profit[2]

3%

Performance overview

International Financial Services cash net profit after tax for the full year ended 30 June 2019 was $227 million, an increase of $75 million or 49% on the prior year.

The result was driven by lower operating expenses due to lower staff costs and non-core divestments, lower loan impairment expense and growth in lending volumes. This was partly offset by lower other banking income, reflecting lower net profits from investments in associates.

Risk report

As Australia's largest financial institution, the Board and management of the Bank understand that effective risk management is important to the financial wellbeing of our customers and the broader economy.

Risk management is about understanding the uncertainties facing our organisation, and developing strategies to benefit from them, or minimise their impact on the achievement of our purpose and strategy. With factors such as the advancement of new emerging technologies, shifting societal expectations, elevated regulatory oversight, uncertain macroeconomic conditions, changing environment and competitive landscape, banks are increasingly exposed to greater levels of uncertainty and therefore require innovative and robust risk management practices.

The financial risks of the Group have traditionally been well managed. We proactively manage the credit quality of our portfolios and maintain a strong liquidity and capital position to deliver strong and sustainable returns for our shareholders.

However, in recent years a succession of conduct and compliance issues, followed by the findings of the APRA Prudential Inquiry in 2018, exposed a lack of maturity in the Group's non-financial risk management practices. The Financial Services Royal Commission further highlighted the impact of these weaknesses on the lives of individual Australians. As a result, the Board and management have committed to:

- enhancing our governance over non-financial risk and investing in new capabilities to strengthen our management of operational risk and compliance
- a change in the mindsets and behaviours of staff at all levels to earn the trust of our stakeholders
- a sustained improvement in our risk management practices.

To achieve these objectives we have identified and made good progress during the year on the following priority areas:

Enhancing our risk governance

Over the past year, the Board has been setting clearer expectations of the business so that it receives better quality information on risks to enable it to act quickly and decisively on that information.

Management has taken steps to improve the rigour of governance over non-financial risks by establishing a Non-Financial Risk Committee (NFRC) which is elevating the importance of non-financial risk and making it a top priority for the Executive Leadership Team. Our focus on identifying and understanding emerging risks, trends and issues across all of the Group's material risk types is also providing better insights to inform decision making.

Overview of our Risk Management Framework

The diagram on page 51 outlines the key components of the Risk Management Framework for managing the Group's Material Risk types; including the governance that enables Executive and Board oversight of these risks. This framework incorporates the requirements of the APRA prudential standard for risk management (CPS 220). Integral to our approach to managing risk is:

- the **Group Risk Appetite Statement** which 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; and
- the **Group Strategy** which articulates the Group's approach to the implementation of its strategic objectives.

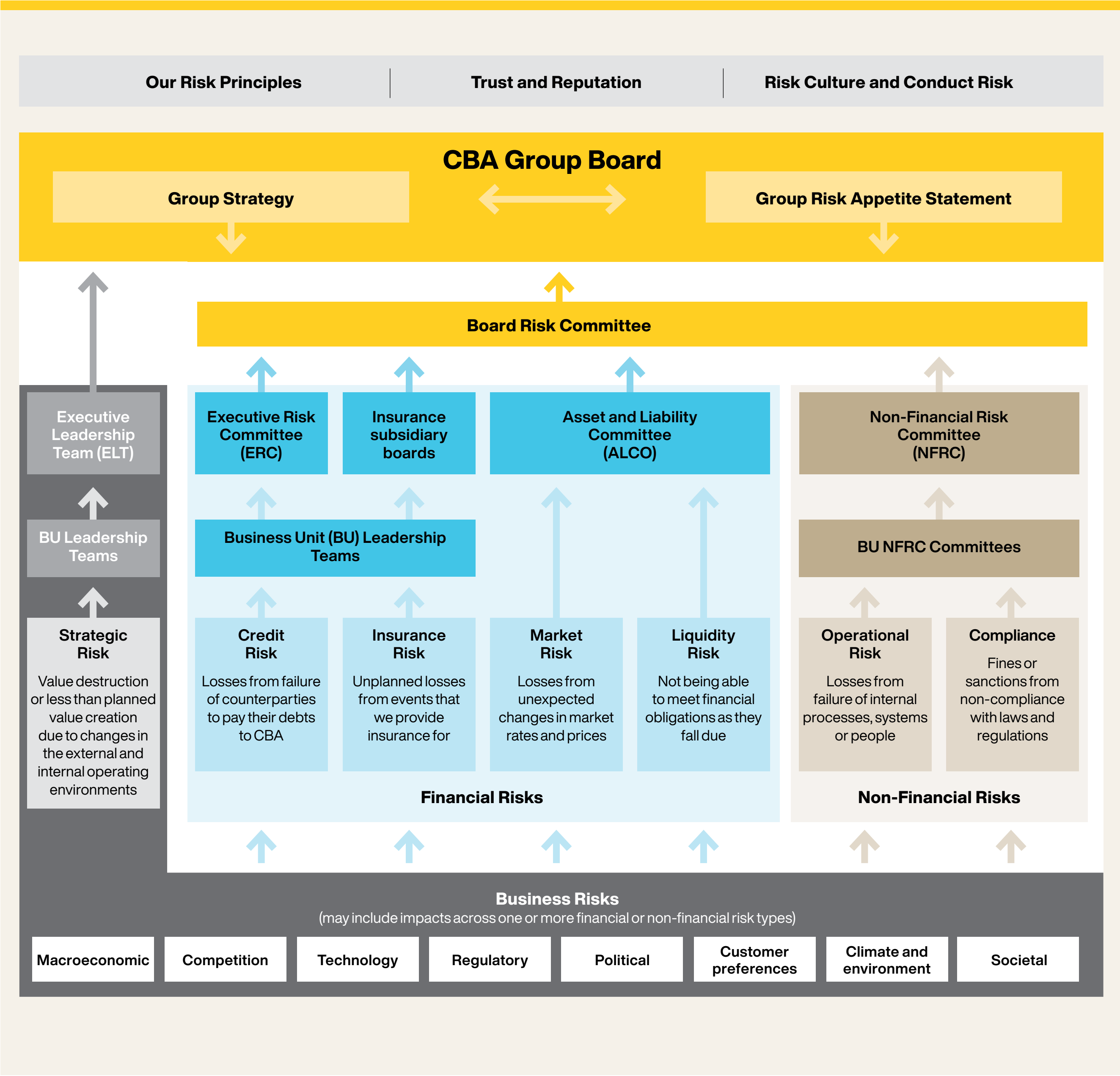
The framework is delivered by governance and reporting processes, risk policies and procedures, and our risk infrastructure (people, systems and processes).

The *Operating context* on page 8 outlines the material trends in our current external operating context which, together with their associated impacts on the Group's material risks, are receiving focus by the Executive and Board.

Our current internal operating context is characterised by the significant program of change across the Group to deliver on our strategic imperative of making the Bank simpler and better. The Group is managing this strategic program of change through strong governance structures over significant transformational initiatives, setting clear priorities for business areas and regularly monitoring the progress against our strategy. Failure to effectively manage this program of change could impact delivery of our strategy and result in increased regulatory oversight.

> "As Australia's largest financial institution, the Board and management of the Bank understand that effective risk management is important to the financial wellbeing of our customers and the broader economy."

Risk Management Framework



Refer to Note 9 in the *Financial report* on page 201 for further detail on the current risk exposures and the approach the Group takes to the management of its material risk types.

Driving risk culture change across the Group

The Board and the Executive Leadership Team recognise their crucial role in setting the cultural tone of the Group. This includes leading a strong risk culture which the Group defines as being those beliefs, values and practices within the organisation that determine how our people identify, measure, govern and act upon risks.

A key priority of the Board and management is to ensure our risk culture is one of accountability, empowerment, constructive challenge, reflection and striving for best practice risk management. This will drive decisions that are lawful, ethical and lead to better customer and risk outcomes. We know that community confidence in us depends on this.

Over the last year the Board and the Executive Leadership Team have taken the time to better understand the drivers of our risk culture and have developed a methodology to formally and consistently assess this across the Group. This has allowed us to identify areas of development and establish a number of priority initiatives aimed at cascading the right tone from the top, connecting better with our customers and reinforcing our purpose and values. Supporting initiatives have also been targeted at lifting leadership capability, elevating risk experience and inspiring our people around the change required.

Reinforcing business ownership of risk outcomes

The Group believes that every employee needs to be a risk manager, and that the front line business is accountable for understanding and managing the risks of their business, to ensure conscious risk versus return decisions. To support business owners in taking greater accountability for the risks that they originate we have increased our risk resourcing and capability and focused on clarifying the differing risk accountabilities of business owners and risk specialists. We are also improving the processes used to manage risk across the Group. This includes improving risk controls and building capability to analyse the root causes of issues and incidents that have a negative impact on customers.

> "We are investing in risk systems and innovation to allow better risk identification, reporting and analytics capability to more deeply understand issues and complaints."

Elevating the status of the Risk Management function within the organisation

A strong and independent Risk function is a key enabler of robust business decisions. In support of this, a recent change agreed by the Board and Executive Leadership Team is that the Risk function will have a shared accountability with the business for risk decisions. In practice this is being achieved by extending Risk's mandate from 'reviewing and challenging' to 'approving' that decisions made by the business have consciously and robustly assessed the risks. This change in mandate strengthens the 'voice of risk', an issue that was highlighted in the APRA Prudential Inquiry report, and is currently being embedded into risk frameworks Group-wide. In addition, the following key initiatives are in progress to increase both the capabilities of the Risk function and those of the business owners:

- Investing in risk systems and innovation to allow better risk identification, reporting and analytics capability to more deeply understand issues and complaints.
- Implementing a number of data quality initiatives to improve the structure and quality of data to support reporting and risk decision making.
- Enhancing risk skills and capabilities to correct areas of under-investment in the management of non-financial risk.
- Simplifying risk policies, processes and tools and developing a common risk management language.

Strengthening our Conduct Risk framework

As part of our commitment to better customer and risk outcomes, we have developed a Code of Conduct to ensure all staff have a clear understanding of what acceptable conduct means. A core principle contained in our new Code of Conduct is to ensure we do the right thing by our customers by asking 'Should We?' when making decisions. This Code has become mandatory training for all CBA staff and the 'Should We?' test is being embedded in key processes across the Group, such as product development and review processes. This will make conduct an essential and embedded part of the disciplined control environment supporting our business decisions. Other focus areas have been improving the way customer complaints are reported, identifying systemic issues and fixing them and delivering consequences to employees whose actions lead to poor outcomes for customers.

We are confident that the continued focus on these priority areas over the next two years will result in a sustained improvement in the maturity of the Group's risk management practices and lead to better customer and risk outcomes.

Our material risks

We continuously develop and improve the Group's Risk Management Framework to ensure that it is robust and fit-for-purpose given the nature of the Group's business and that it supports our strategy of delivering balanced and sustainable outcomes for stakeholders. This means responding to evolving better risk management practices and the Group's operating context, including heightened global regulatory change and additional scrutiny which are trends that are likely to continue into the foreseeable future. The key actions we are taking for each of the Group's material risk types are described below.

Note 9 in the *Financial report* on page 201 provides a detailed definition of each material risk type, the applicable governing policies and key management committees, and the key limits, standard and measurement approaches for each risk type.

Risk type	Context	Key actions we are taking
Strategic Risk	• The external operating environment is changing at a rate and in ways not previously experienced (see the *Operating context* on page 8). In particular, the unprecedented changes in the competitor landscape, emerging technologies, societal expectations and required workforce capabilities expose the Group to Strategic Risk. • It is therefore increasingly important that, when developing and monitoring execution of strategic plans, we appropriately and consistently assess the aggregate impacts of the changing operating context across all of our material risk types.	• We have formalised the existing strategic risk practices through a Board approved strategic risk policy and associated procedures for identifying, monitoring, managing and reporting on strategic risk. • We have developed a more structured approach to the identification, management and oversight of emerging risks through the Non-Financial Risk Committee. • These stronger disciplines are being embedded into strategic and business planning and monitoring processes.
Credit Risk and Insurance Risk	• Macroeconomic uncertainty is leading to slow credit growth and low consumer confidence, which in turn is impacting discretionary spending. These factors, combined with historically low interest rates, elevates the need for robust credit policies, procedures and tools to support credit decisions in this new environment. • Economic factors impacting the housing market are particularly important given the Group's proportion of earnings from home lending. • As climate-related events, external policy decisions and community expectations around climate action become heightened, the potential long-term impacts of climate change on the credit and insurance portfolios needs to be factored into current origination and portfolio management decisions. • The Group is divesting its life insurance businesses and therefore will only retain general insurance risk into the future.	• The Group regularly reviews and adjusts credit limits and settings in response to changing economic conditions to ensure alignment with Group risk appetite. • Significant investment is underway to enhance the systems and data necessary for aggregation of exposures and for reporting and portfolio management, particularly in the non-retail parts of our business. • We are progressively performing climate change scenario analyses on our credit and insurance portfolios to understand potential impacts and how these can be factored into business decisions.
Liquidity Risk and Market Risk	• The Group has well designed and embedded frameworks in place to manage its liquidity and market risks. However, we recognise the need for ongoing vigilance to ensure the Bank is well positioned in the event of stressed liquidity or market conditions. • Macroeconomic uncertainties which could cause volatility in global markets, are heightened by the current environment of: – global trade disputes leading to geo-political instability and lower business confidence – interest rates remaining at historically low levels, with further falls expected.	• The Bank performs regular stress tests and scenario analyses covering adverse and severe operating conditions. This allows a better understanding of our liquidity and market risks to enable proactive risk based decisions. • In addition, the Bank maintains a diverse yet stable pool of potential funding sources across different currencies, geographies, entities and products. • We limit the amount of short-term wholesale funding sourced from offshore and the Bank maintains sufficient liquidity buffers and short-term funding capacity to withstand periods of disruption in long-term wholesale funding markets.

Risk report (continued)

Risk type	Context	Key actions we are taking
Operational Risk	• The 2018 APRA Prudential Inquiry exposed a lack of maturity in the Group's non-financial risk management practices. A comprehensive three-year Remedial Action Plan is in progress to strengthen the Group's operational risk framework. • Information security risks for the Group have increased in recent years due to: the evolution and development of new technologies; the Group's increasing use of digital channels; and the increased sophistication and broadened activities of cyber criminals. • The Group has a significant program of change to deliver a simpler, better bank. The complexity of current operations creates the risk of poor or slow execution which could impact the ability to execute our strategy effectively.	• Good progress has been made on enhancing our risk governance, driving risk culture change across the Group, reinforcing business ownership of risk outcomes and elevating the status of the Risk Management function within the organisation. This progress will continue over the next two years to ensure a sustained improvement in the maturity of the Group's risk management practices. • We continue to invest in our operational risk capabilities (in particular cybersecurity, data management and supplier management) to ensure they evolve in response to the Group's changing operating environment. We have a program in place to identify the Group's most critical data elements in order to drive appropriate quality and lineage, using our Data Management framework. • The significant program of change to deliver a simpler, better bank is being managed through strong governance and oversight over these transformational initiatives.
Compliance	• There is an increased risk of regulatory action (including enforcement action) or policy change which may negatively impact the Group's financial position or reputation. • Significant regulatory reforms are under development, across a number of jurisdictions that will strengthen the industry and improve customer outcomes. These could impact the Group's operations and financial performance. Examples include: – Open Banking to give consumers access to and control over their data – APRA and RBNZ's proposals to revise the capital framework for banks – conduct-related reforms such as product design and distribution obligations and greater prescription on responsible lending requirements – regulation arising from the Financial Services Royal Commission's recommendations.	• Progress continues through the Remedial Action Plan to strengthen the Compliance Management Framework, including resources and policies and procedures, and to ensure they are well embedded within business units. • A Code of Conduct has been developed and is being embedded across the Group. Conduct controls are also being strengthened across the business to address the increased expectations. • We have developed a new Regulatory Engagement Standard that drives engagement with regulators in an open and transparent way. • A financial crime compliance program is improving the quality of customer data and embedding financial crime policies and procedures into business practices.

Our approach to addressing climate change

As a provider of financial services – including lending, insurance and wealth management – the physical and transition impacts of climate change are strategically important to our business. We are taking a phased approach to identifying and managing both the risks and the opportunities.

We aim to disclose our progress, performance and plans in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

We are focusing on having the right policies in place, undertaking detailed analysis to better understand the risks and opportunities, developing and implementing strategic responses, building internal understanding and customer capabilities, and contributing to economy-wide initiatives.

Addressing climate change (continued)

	Phase 1-2 **Policy, due diligence, governance, analysis of portfolio risks and opportunities**	**Phase 3** **Extending scenario analysis, strategic responses, capability building**	**Phase 4** **Embedding climate considerations into strategy, business and risk management processes**
	Pre-FY19	**FY19**	**FY20-21**
Governance	• Climate Policy Position Statement[1] • Group Environment Policy[1] • Equator Principles III Report[1] • ESG Lending Commitments[1] • Responsible Investing Framework[1] • The Board governs climate risks and opportunities through the Risk Management Framework[2]	• Developed a Group Environmental and Social Policy with updated climate commitments, including: – continuing to reduce our exposures to thermal coal mining and coal fired power generation, with a view to exiting the sectors by 2030, subject to Australia having a secure energy platform – supporting the development of existing and emerging technologies that enable an accelerated transition to a low carbon future	• Review the Group Environmental and Social Policy to ensure alignment with the rapidly evolving nature of environmental and social issues • Review the Group Risk Appetite Statement • Review of climate-related roles and responsibilities
Strategy	• Commitment to support the objectives of the Paris Agreement • Climate scenario analysis: – Business lending: transition risks – FirstChoice Australian Share Fund: transition risks – Retail (home lending) and insurance: physical risks • Portfolio-level strategic responses	• Climate scenario analysis: – Agribusiness lending: physical risks • Portfolio-level strategic responses • Client engagement	• Climate scenario analysis: – Business lending: physical risks for other key portfolios – Retail (home lending) and insurance: transition risks – Investment portfolios: transition and physical risks • Further develop strategic responses • Client and customer engagement
Risk management	• Elevated climate as a strategic risk and a long-term driver of both financial and non-financial risks • Introduced an ESG Risk Assessment Tool, including climate and energy considerations, for business lending • Training on ESG risks, including climate, for business lenders • Established Energy Value Chain analysis	• Physical climate risk added to the ESG Risk Assessment Tool process for business lending • Reviewed clients within carbon sensitive sectors, based on FY18 scenario analysis, to better understand their management of climate risk • Updated Energy Value Chain Analysis	• Continue to update the ESG Risk Assessment Tool and build capabilities as stakeholder expectations and global developments evolve • Work with clients as they progress their transition strategies
Metrics and targets	• Emissions reduction target (Scope 1 and 2) • Assessed emissions in business lending portfolio • Low carbon project funding target of $15 billion by 2025	• Joined the global RE100 initiative and committed to sourcing 100% of our electricity needs from renewable energy by 2030 • Assessed emissions in business lending portfolio[3] • Progress on low carbon project funding target	• Continue to make progress on our RE100 commitment • Science-based emissions reduction target (Scope 1 and 2) • Assess emissions in business and retail lending and investment portfolios • Emissions reduction target (Scope 3) • Progress on low carbon project funding target

[1] All policies are found at commbank.com.au/policies.

[2] Further information on the Group's Risk Management Framework is provided on page 201.

[3] Our assessed emissions reporting is available at commbank.com.au/CRreporting.

Climate governance

The Board directly oversees the management of the Bank's climate-related risks, opportunities and strategies.

Specifically, in the 2019 financial year the Board:

- reviewed and endorsed the Group's Environmental and Social Policy (E&S Policy), which outlines our approach to climate-related risks and opportunities
- monitored performance against our climate-related goals and targets
- reviewed and approved our climate-related strategy and disclosures.

The Executive Leadership Team (ELT) continues to be responsible for:

- directing the development and implementation of ESG policies, including climate
- overseeing progress, performance and reporting on climate
- leading external engagement and advocacy and helping customers and clients on climate-related matters.

Under our E&S Policy, business and support units across the Group are responsible for addressing specific climate-related impacts, risks and opportunities. Internal procedure documents provide clear guardrails and guidance on issue management and client activity.

An example of how this works in practice is our commitment to reducing our exposures to thermal coal mining and coal fired power generation. This applies to our Institutional Banking & Markets (IB&M) business which has accountability for adherence to, and implementation of, this part of the E&S Policy.

Climate strategy

To better understand potential climate change impacts, risks and opportunities for the Bank, and to build the resilience of our business and our customers, we are taking a phased approach to scenario analysis. We prioritise analysis of areas that are material to the Bank and to our customers. The results of our scenario analysis help inform our business and strategy planning.

The scenario analysis we undertook in 2018 has helped inform our strategic responses as follows:

	Physical risk		**Transition risk**	
FY18 focus	**Building insurance policies**	**Home loan portfolio**	**Business lending portfolio**	**FirstChoice Australian Share Fund**
Risks	Flooding, storms, extreme heat and drought, bushfires, sea level rise		Market, regulatory, legal, reputation, technology	
Progress during FY19	• We continue to focus on supporting sector-wide initiatives that enhance climate resilience and reduce disaster risk, including through our membership of the Climate Change Action Committee within the Insurance Council of Australia.	• We are developing a green mortgage initiative that rewards and encourages energy efficiency, by giving cashbacks to customers who use solar panels and make their homes more energy efficient. • We are building our capabilities to develop and implement business solutions that protect customers and the Bank from climate risk.	• We have incorporated physical climate risk into our ESG Risk Assessment Tool and ESG risk e-learning. • We have made a commitment to reducing our exposure to thermal coal mining and coal fired power generation, with a view to exiting the sectors by 2030, subject to Australia having a secure energy platform. • We are conducting deeper analysis on our lending to carbon sensitive sectors to understand how clients manage their carbon risk.	• We are investigating tools to display carbon risk within portfolios for use as an asset allocation tool. • We are working with an external specialist vendor to utilise its latest climate scenario model and receive reporting on climate-related risks within our portfolios.

Addressing climate change (continued)

Wealth management focus on climate

We continue to build capabilities across our wealth management businesses to manage climate and broader ESG risks on our customers' behalf, and to offer new investment solutions:

- Colonial First State (CFS) Investments measures and reports carbon emissions intensity (see page 61 for details).
- CommSec Pocket now enables investment in ETHI, an Exchange Traded Fund that invests in 100 large global stocks that are climate change leaders.
- Colonial First State Global Asset Management and Commonwealth Bank Group Super both report their climate governance, strategy, risk management and metrics in line with the TCFD[1].

FY19 climate scenario analysis – risks and opportunities in Australian agriculture

This year we conducted scenario analysis on the physical risks of climate change on our agribusiness lending portfolio. This reflects the important role Australia's farmers play in the nation's economy and for our business, and the sensitivity of the sector to changes in climate.

Farming under challenging climate conditions is not new to Australian farmers. Climate change however has the potential to increase the frequency of acute climate events such as floods and droughts, and to alter longer-term climate conditions which can impact farm productivity.

As a major lender to Australia's farmers[2] we have undertaken detailed scenario analysis to understand how climate change affects agriculture through acute and chronic shifts in temperature, humidity and rainfall. Our analysis enables us to understand the risks, identify ways to support our customers into the future, and contribute to building resilience in the sector.

What we did

We undertook a forward-looking assessment of climate-related factors that could impact the grains[3], livestock[4] and dairy[5] sectors which represent approximately 65% of our Australian agribusiness portfolio across Commonwealth Bank and Bankwest.

We worked with climate consultancy Energetics to simulate agricultural productivity against a range of potential climate conditions up to 2060, using models derived from peer reviewed scientific literature and industry research.

Impacts were assessed on both a 'do nothing' and 'adapt' basis to understand the extent to which the impacts of climate change could be mitigated. The analysis also incorporated economical viability, recognising that adaptation requires both investment and a willingness to change established practice.

A detailed outline of the methodology is provided on page 60. It remains important to note that scenario analysis considers the outcomes of a range of possible future pathways, based on assumptions, and is not a forecast or prediction.

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[1] Available at cfsgam.com.au and oursuperfund.com.au/annual-reports.
[2] We conducted our analysis on the most recent client insights available. Group agriculture exposure was $22.4 billion at 31 December 2018 of which $11.2 billion was loans to Australian farmers.
[3] Grains include cereals (e.g. wheat and sorghum), oilseeds (e.g. canola) and pulses (e.g. lupins and chickpeas).
[4] Livestock includes beef cattle and sheep for wool and lamb.
[5] Dairy includes dairy cattle only.

What we found

Grains

Current grain growing regions face the risk of potential farmer profitability declines by 2060, due to falls in productivity in many areas of up to 50% below the 2018 baseline levels, primarily due to changes in predicted rainfall (Figure 01). Adaptive measures can preserve current productivity levels in most regions, and even improve profitability up to 65% above the baseline in some regions (Figure 02). However, the trend of declining rainfall could result in some regions becoming significantly less viable for crop production in the long term.

Adaptive measures including breeding for improved tolerance to drought and heat could improve crop yields by up to 20% by 2060 for certain crops. Genetic modification can markedly increase crops' climate resilience, with the potential to improve the yield of some crops by up to 40% over the next 40 years. However, the use of genetically modified organisms (GMOs) is a controversial solution and is currently banned in parts of Australia.

Further developments in crop monitoring and management technology to maximise water efficiency and optimise activities are expected to boost productivity. Farmers can also shift the sowing window to optimise the growing season, and there is potential for further improvements.

Livestock

Livestock regions face significant farmer profitability declines by 2060, with falls of up to 40% due to a deterioration in pasture growth and quality (Figure 03). However, adaptive measures can significantly improve livestock production, with most regions able to convert an absolute decline in profitability to an improvement above the baseline by 2060. There is a cost to these adaptive measures, which may outweigh the benefits for some regions (Figure 04).

Potential adaptive measures include breeding for increased tolerance to heat and humidity, improving pasture quality in harsher conditions and cooling livestock by providing shade and water sprays. Developments in monitoring and management technology can maximise resource efficiency. An example is rotational grazing using virtual fencing technology. This maintains soil and pasture quality by reducing overgrazing. Genetic modification of pasture species has most potential in the south where pastures are typically not native.

Dairy

Dairy regions also face the risk of farmer profitability declines by 2060, with falls in most regions of up to 40% from baseline levels (Figure 05). A key risk for declining dairy profitability is the incidence of consecutive days of significant heat stress, measured using the Temperature Humidity Index (THI). After five such days in a row dairy cows can stop lactating, ceasing production.

Adaptive measures can significantly improve the situation for dairy production, with most regions projected to at least maintain baseline levels of profitability. As Figure 06 shows, in some regions a farmer profitability decline could be converted to an improvement of up to 40% above the baseline.

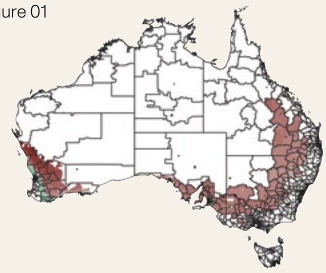
Breeding in *Bos indicus* genetics could increase tolerance to heat and humidity but may also lower milk yield, so uptake of this measure is likely to be delayed. Improved monitoring technology has the potential to maximise output, by optimising supplemental feed and the cooling of cows using shade and water sprays. Genetic modification of pasture or supplemental feed species can also potentially increase yield.

Climate simulation: impact on farm profitability by 2060

Grains

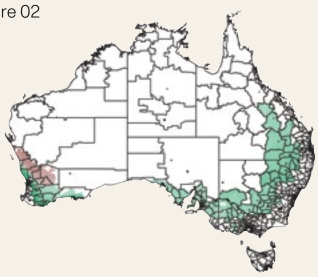
Worst case without adaptation

Figure 01



Worst case with adaptation (ex GMOs)

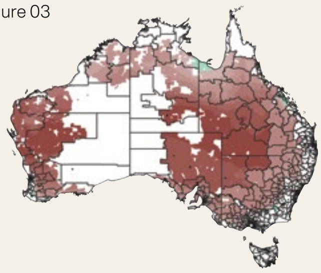
Figure 02



Livestock

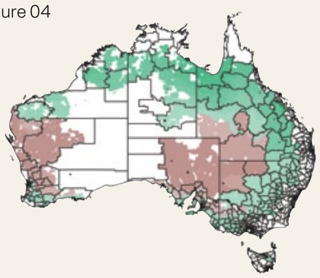
Worst case without adaptation

Figure 03



Worst case with adaptation (ex GMOs)

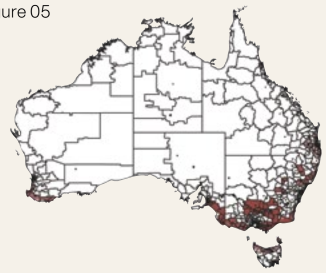
Figure 04



Dairy

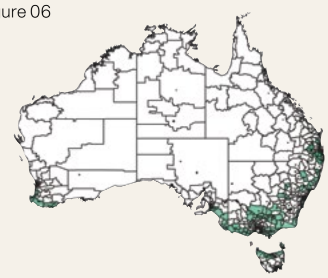
Worst case without adaptation

Figure 05



Worst case with adaptation (ex GMOs)

Figure 06



% change in farm profitability -50% +110%

Addressing climate change (continued)

How we are responding

We have estimated the impacts of the above potential changes on the credit quality of our portfolio. We found that while many customers are likely to be impacted by potential productivity falls due to climate change, in aggregate the impacts are not significant for our portfolio. Through our credit assessment, we have observed that our farmers are largely able to manage climate events within their financials, due to the buffers present in their current and future interest coverage ratios. With the right adaptive measures, and the right timing of their uptake, these impacts can be successfully mitigated by adaptation improving yields for farmers.

As a Group, we are using the findings of our analysis to inform the future management of our agriculture portfolio, including building better tools to manage and monitor our risks. We will focus on supporting our customers operating in those areas of Australia that, according to our modelling, will be significantly impacted by climate change. We are also engaging and upskilling our agribusiness teams through training, policies and toolkits, so that they are able to incorporate considerations of climate resilience and adaptation into conversations with our farming customers.

Methodology for agriculture portfolio physical risk scenario analysis

Climate change scenarios

Climate change impacts to each agriculture sector were assessed in response to multiple emissions pathways, climate scenarios and adaptation responses to capture a wide range of potential impacts. The Intergovernmental Panel on Climate Change's (IPCC) low (Representative Concentration Pathway 4.5) and high (RCP 8.5) global emissions pathways were considered as well as two climate models to provide a range of potential outcomes. Outcomes were then considered with and without the uptake of cost-effective adaptive measures. Altogether, 12 scenarios were considered, book-ended by a best case (low emissions pathway, climate model showing least change, full adaptation uptake, inclusive of GMO developments) and worst case (high emissions pathway, climate model showing most change and no adaptation uptake).

Impact models

Climate impact models were sourced for grains, dairy cattle and livestock based on a survey of Australian literature. The impact models are:

- Grains: a statistical relationship between productivity, seasonal rainfall and seasonal temperature was applied to historical and future climate data on a five kilometre grid.
- Livestock: a statistical relationship between productivity, seasonal rainfall and seasonal temperature was applied to historical and future climate data on a five kilometre grid.
- Dairy: a statistical relationship between productivity and seasonal rainfall, temperature and the Temperature-Humidity Index modelled at three sites by Dairy Australia was applied to the other five dairy regions.

Climate variables

The climate variables are:

- seasonal rainfall and temperature
- daily average temperature and humidity.

Additional climate variables and related environmental stressors are known to affect production but were assessed more broadly due to data and evidence limitations. These parameters include fire, cyclones, sea level rise, pests and diseases. As a result, our modelling of physical climate risk may understate the potential impact of climate change.

Outputs

Bounds were placed on the results of the statistical models to ensure that outputs were plausible. Results were filtered, using Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) land use data, to remove unused land such as deserts and waterways. The effects of climate change were expressed as percentage changes in productivity from a 2018 adjusted baseline to ensure relevance to the current day. Commodity prices were assumed to remain steady. In adaptation scenarios the change in profitability is the change in output post adaptation less the cost of adaptive measures.

Adaptation

Potential adaptive measures were researched for each agricultural sector. These include measures already taken up by some farmers but with potential for increased uptake, as well as measures not yet implemented but well researched. Additionally, an allowance was included for future technology not yet developed, projected to be available from around 2035. Adaptation uptake curves were developed for each representative commodity type based on the selected measures, their expected crop yield improvements, and costs to implement and uptake rates.

Credit risk

Using the profitability and productivity impacts, we were able to estimate how climate change could effect the credit risk metrics of our existing agribusiness customers. Using a driver based approach and our existing credit risk models we were able to assess the impact on the portfolio's probability of default. A number of simplifying assumptions were made for example, land values and commodity prices were held constant. As a consequence, the actual impacts may be greater or less than those calculated.

Data sources

Farm location information was obtained from the Australian Bureau of Statistics (ABS) Agricultural Census 2015-16. Other geographical information was obtained from the ABS, ABARES and other Australian Government agencies. Climate impact models were drawn from research by CSIRO, ABARES and Dairy Australia.

Limitations and uncertainties

This analysis is based on best available information. However, it is unable to overcome some important limitations and uncertainties. For example, climate change simulations currently have minimal ability to model extreme weather events. Similarly, agricultural impact models need to be further developed to test the bounds at which statistical relationships change.

Climate risk management

Climate-related, and wider environmental risk, is an important element of strategic risk which we identify, assess and manage via our risk management framework and ESG business practices.

Policy and processes

Our approach to climate risk management cascades down from our Group level policies via the frameworks for each material risk type, which are documented in the Group's Risk Management Framework (see page 201).

The requirements of these policies and frameworks are translated into sector/portfolio controls and specific transaction and client level processes that support appropriate consideration of ESG risks in business decisions.

In particular, climate change is included as an area of special focus in our Group Environmental and Social Policy, which is underpinned by comprehensive procedure documents that govern and guide implementation across the Group.

Climate risk has the potential to create both financial and non-financial impacts for the Group, as its physical and transition impacts have the potential to affect our customers' ability to service and repay their loans, as well as the value of collateral the Bank holds to secure loans. These impacts include long-term changes in climatic conditions, extreme weather events, and the action taken by government, regulators or society more generally to transition to a low carbon economy. For more please refer to *Climate-related risk* in Note 9.2 of the *Financial report* on page 206.

Climate in our ESG risk assessment process

The Bank is a major provider of business loans. A key step in our credit risk due diligence for business lending is the assessment of potential transactions for ESG risks, including climate risk, through our ESG Risk Assessment Tool.

All Institutional Bank loans and large loans in other business units are subject to a compulsory ESG risk assessment. This must take place before a loan can be priced. The process includes an initial ESG risk assessment based on country of operations and more than 500 industry sectors. The overall ESG risk levels are aligned with the Equator Principles' risk categories A, B and C. Additional ESG due diligence is required for transactions which have medium or high ESG risks identified in the initial assessment.

Along with climate and energy as focus areas, we now include physical climate risk in our ESG risk assessment process. This means loans are reviewed to understand how clients are managing their carbon impacts and climate resilience.

There is compulsory training on ESG Fundamentals and the ESG Risk Assessment Tool for all our Institutional Banking and Business Banking client facing roles, plus the credit risk teams.

Assessing the emissions in our investments and business lending

To understand the concentration of our carbon-related exposures we measure the carbon intensity of equity investments, our exposure to companies in the energy value chain, and the overall emissions we finance through our business lending portfolio.

Carbon emissions of equity investments in FirstChoice investment options

In line with our commitment to reduce our own emissions we measure the climate – related risks of our investments. For our equity investments in the MySuper products[1], from June 2016, we see a continued downward trend in carbon emissions per $100,000 invested.

In the largest cohort of our FirstChoice Employer Super offer, (FirstChoice Employer 1970-74), emissions have gone from 32.2 tCO_2-e at 30 June 2018 to 30.6 tCO_2-e at 30 June 2019[2]. This is equivalent to a reduction from 6.8 cars driven daily for a year to 6.5 cars[3].

For our multi manager equity portfolios, our FirstChoice Australian Share emissions stood at 18.9 tCO_2-e per $100,000 invested and FirstChoice Global Share was a lower 14.2 tCO_2-e (4 cars compared to 3 cars) at 30 June 2019.

Another measure of carbon is carbon intensity. This measures carbon emissions normalised by sales revenue to allow for comparison between companies of different sizes. From June 2018 to June 2019 the carbon intensity of First Choice Employer 1970-74 has changed from 360.4 tCO_2-e/$ revenue to 325.7 tCO_2-e/$ revenue.

At June 2018, FirstChoice Australian Share had a carbon intensity of 326.5 tCO_2-e/$ revenue compared to 230.4 tCO_2-e/$ revenue at June 2019. FirstChoice Global Share also reduced its carbon intensity, from 209.0 tCO_2-e/$ revenue in June 2018 to 148.4 tCO_2-e/$ revenue in June 2019.

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[1] On 16 March 2019 we updated the Commonwealth Essential Super age based investment option, known as the 'Lifestage option', to be more tailored to the member's age. This means the asset allocation is in line with that of the Lifestage option in FirstChoice Employer Super. Both MySuper products will therefore have the same emissions per $100,000 going forward and will not be reported separately.

[2] The equivalent number of cars data is sourced from the *United States Environmental Protection Agency Greenhouse Gas Equivalencies Calculator.*

[3] Carbon emissions data is provided and calculated by MSCI Inc. MSCI collects reported Scope 1 and Scope 2 emissions from each company. Only 60% of companies in the global equities universe report their greenhouse gas emissions, so MSCI estimates the remaining 40%.

Addressing climate change (continued)

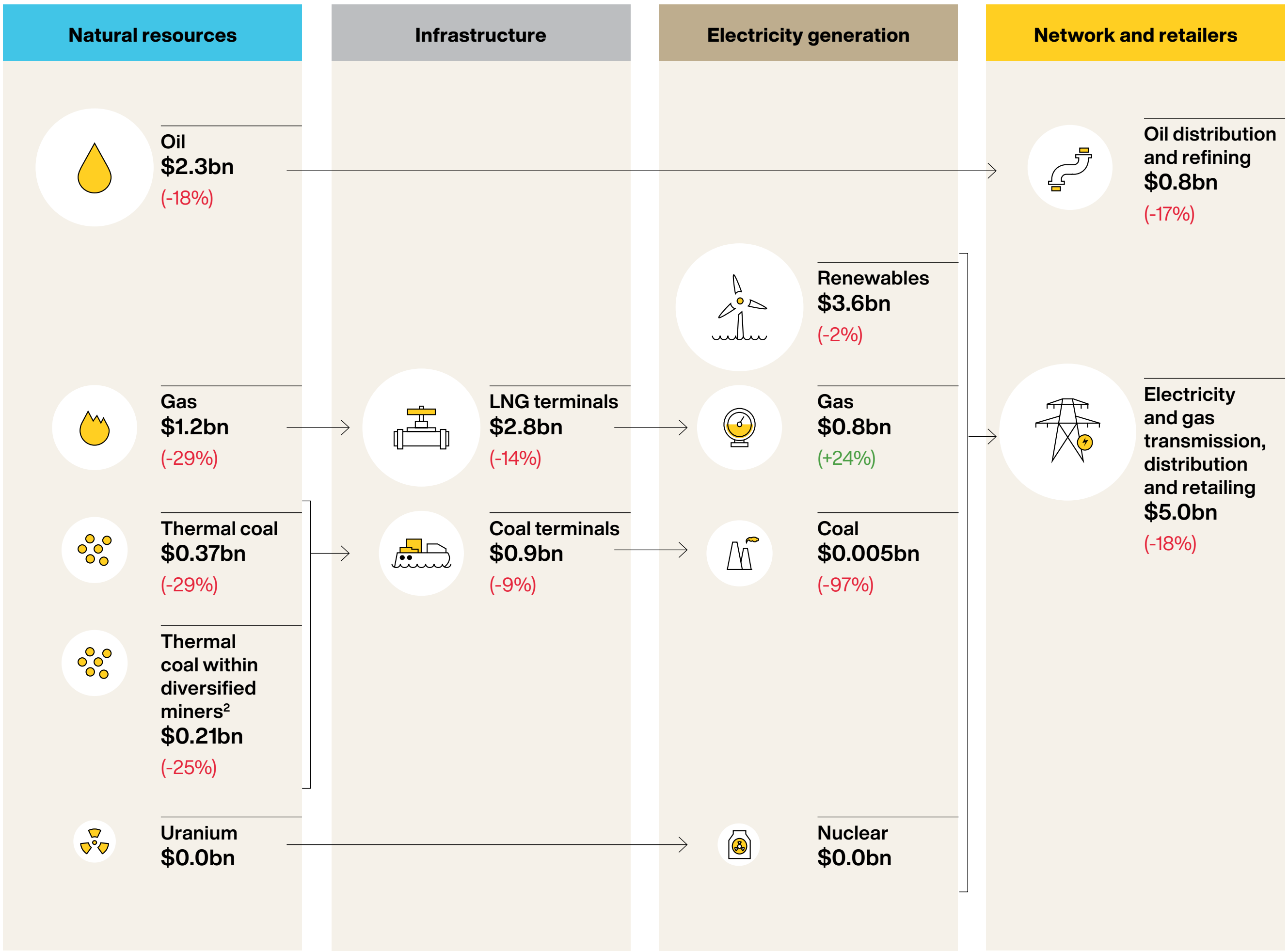
Energy value chain

For increased transparency, we have disclosed our exposure to thermal and metallurgical coal mining separately and we have detailed our exposure to thermal and metallurgical coal within diversified miners.

As part of our review of the diversified miners, we have classified exposures to coal subsidiaries of diversified miners to thermal and metallurgical coal directly.

Our exposure to metallurgical coal mining is $7 million and our exposure to diversified miners allocated to metallurgical coal mining is $82 million (not included below).

Exposures as at 30 June 2019[1]



Natural resources

Oil
$2.3bn
(-18%)

Gas
$1.2bn
(-29%)

Thermal coal
$0.37bn
(-29%)

Thermal coal within diversified miners[2]
$0.21bn
(-25%)

Uranium
$0.0bn

Infrastructure

LNG terminals
$2.8bn
(-14%)

Coal terminals
$0.9bn
(-9%)

Electricity generation

Renewables
$3.6bn
(-2%)

Gas
$0.8bn
(+24%)

Coal
$0.005bn
(-97%)

Nuclear
$0.0bn

Network and retailers

Oil distribution and refining
$0.8bn
(-17%)

Electricity and gas transmission, distribution and retailing
$5.0bn
(-18%)

Key: (+%) (-%)
Change since FY18

[1] All figures are Total Committed Exposures (TCE) as at 30 June 2019. Figures represented have been specifically derived based on material client exposures. Not included are 'Other energy-related' exposures ($0.8 billion) which comprise smaller loans and exposure to energy trading entities.

[2] Thermal coal exposure within each diversified miner is calculated as the Group's exposure to the miner, excluding exposure to coal subsidiaries, multiplied by the percentage EBITDA contribution of thermal coal in its latest annual financial statements. Exposure to coal subsidiaries of diversified miners are allocated to thermal coal.

Assessed emissions in our business lending portfolio

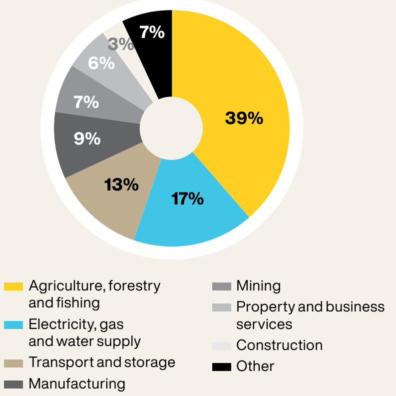
As a major provider of lending services, we play a crucial role in supporting economic and social development. We also recognise the role we play in addressing the challenge of climate change and in supporting the transition to a low carbon economy. As a result, we continue to assess the emissions arising from our business lending across Commonwealth Bank, ASB and Bankwest.

The emissions intensity of our overall business lending portfolio has continued to trend downwards, and has decreased in FY18 by 7.4% to 0.26 kgCO_2-e/$ of expenditure. Most sectors have shown a decrease in emissions intensity in FY18.

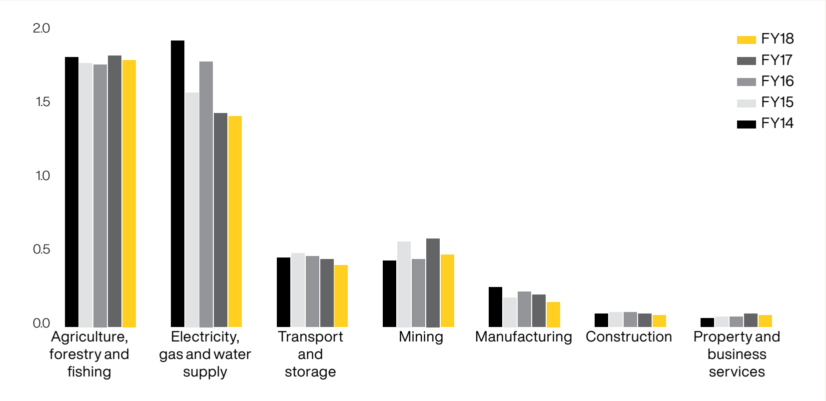
The Agriculture, Forestry and Fishing sectors represent the most emissions intensive part of our business lending portfolio.

The Electricity, Gas and Water Supply sectors show a general downward trend. The discontinuation of a number of high emissions intensive exposures contributed to this result in FY18. Our exposure to renewables increased 33% to $3.7 billion in FY18. A portion of the exposure included projects under construction which are typically initially more emissions intensive than operational renewable electricity assets.

CBA Group business lending
% of emissions by sector



Emissions intensity of expenditure (kgCO_2-e/$): key sectors



The full assessed emissions analysis including the detailed methodology is available at commbank.com.au/CRreporting

Climate metrics and targets

We report regularly on key metrics to measure our progress and to provide transparency to our stakeholders.

During the year we signed up, as the first Australian corporate, to RE100. This commits us to source 100% of our electricity consumption from renewable sources by 2030. As a first step in that process, as of June 2019 we are sourcing 65% of our national needs from the Sapphire Wind Farm in New South Wales. The table below shows the latest progress against our climate-related targets.

Metric	Target	FY19 progress
Low carbon target	$15 billion by 2025	$5.1 billion committed exposure as at 30 June 2019[2]
Sourcing renewable energy for our power needs	100% by 2030	65%
Emissions per FTE (Australia)	2.0 tCO_2-e by 2020	2.1 tCO_2-e
Solar panels on branches[1]	1,250 kW by 2020	1,105 kW
Assessed emissions in our business lending portfolio	An average emissions intensity decrease of our business lending portfolio consistent with our commitment to a net zero emissions economy by 2050	0.26 kgCO_2-e/$ of expenditure (2018 financial year)

For a full set of our *Environmental, customer, social and governance metrics* (including PwC's external assurance statement) see page 297.

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[1] A real time portal which displays data on how our network of solar equipped branches is performing can be accessed at cbasolarpower.com.au.

[2] Reported exposure in the FY18 Annual Report (page 57) was $7.3 billion. A review found this was overstated and the correct FY18 figure for low carbon project funding was $4.6 billion.

Corporate governance

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Our commitment to corporate governance

During the year, the Board continued to strengthen corporate governance at the Bank to support better stakeholder outcomes.

The Board has been focused on implementing the recommendations of last year's Australian Prudential Regulation Authority (APRA) Prudential Inquiry Report into CBA (Inquiry Report), and are on track to deliver against the milestones detailed in our Remedial Action Plan.

The Board is accountable for implementing recommendations 1 to 5 of the Inquiry Report relating to Board governance (see page 73 for more details).

The Board has set clearer expectations of management, and has increased its oversight and scrutiny of the risks facing the Bank.

The Board continues to review and further enhance the Bank's Corporate Governance Framework and supporting documents in light of new laws, evolving stakeholder expectations and the dynamic operating environment.

The Executive Leadership Team established a Non-Financial Risk Committee in June 2018.

Its role is to assist and advise the Bank's Managing Director and Chief Executive Officer (CEO) on the governance and effective management of the Group's non-financial risks. This includes operational, compliance (including conduct), financial crime and cyber risks, in accordance with the Group's Risk Appetite Statement and Group Risk Management Approach as approved by the Board.

Corporate Governance Framework

The diagram below shows the Bank's current Corporate Governance Framework, including its Board Committees.

The Board is responsible for setting the strategic objectives and risk appetite for the Bank, and for leading the culture, values and behaviours of our people.

The Board appoints the Bank's CEO. It also oversees the management, performance and governance frameworks of the Bank.

In addition to matters required by law to be approved by the Board, the Board has reserved certain powers for itself as described in the Board Charter and the Board's Reserved Powers and Standing Delegations document.

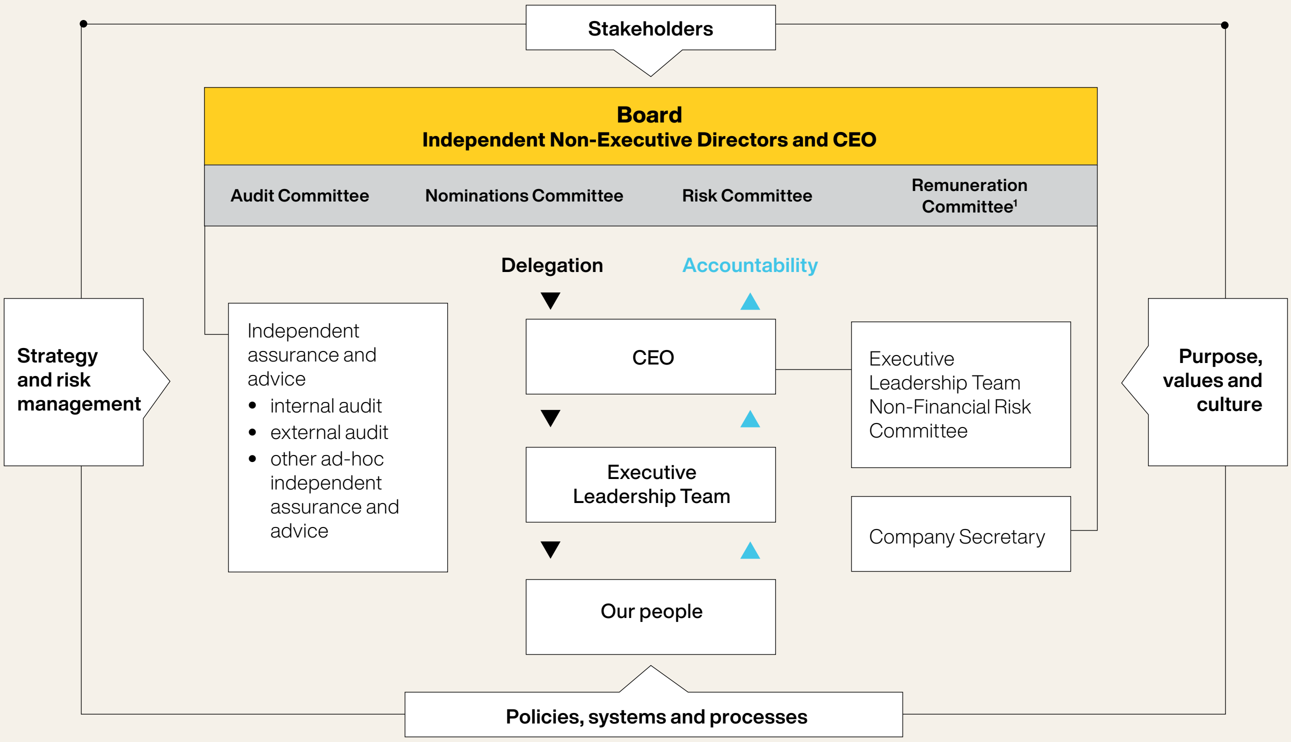
The Board delegates certain powers to its Board Committees. At its discretion, the Board may form other committees to undertake specific duties.

The Board confers on the CEO the powers of the Board exercisable in management of the business of the Bank.

The CEO, in turn, may delegate some of these powers to Group Executives and other officers. Despite any delegations by the CEO, the CEO is accountable to the Board for the exercise of the delegated powers and management's performance.

The Bank's Corporate Governance Statement describes the key elements of our Corporate Governance Framework and the actions taken during the financial year to enhance it. It can be viewed at commbank.com.au/corporategovernance.

Corporate Governance Framework



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[1] Committee name changed to People & Remuneration Committee effective 1 July 2019.

Board of Directors

Left to right: Shirish Apte, Anne Templeman-Jones, Wendy Stops, Sir David Higgins, Matt Comyn (CEO), Paul O'Malley, Catherine Livingstone AO (Chairman), Professor Genevieve Bell, Robert Whitfield, Mary Padbury.

Catherine Livingstone AO

Chairman

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

Nominations Committee (Chairman), Risk Committee, Audit Committee and People & Remuneration Committee.

WorleyParsons Limited, University of Technology Sydney (Chancellor), The Australian Ballet and CSIRO Australia Telescope National Facility Steering Committee.

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

Matt Comyn

Managing Director and Chief Executive Officer

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

UNICEF Australia, Australian Bankers Association and Financial Markets Foundation for Children.

BAv, MCom, EMBA, GMP.

Shirish Apte

Independent Non-Executive Director

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

Risk Committee (Chairman) and Audit Committee.

IHH Healthcare Bhd (including two of its subsidiaries), Fullerton India Credit Company Limited, AIG Asia Pacific Pte Ltd, Clifford Capital Pte Ltd, Pierfront Capital Mezzanine Fund Pte Ltd (Chairman), Citi Handlowy (Supervisory Board), Accion International, Virtusa Corporation (Advisor), Acibadem Hospital Group (Turkey) and Fortis Healthcare.

CA, BCom, MBA.

Key: Committees | Other Directorships and interests | Qualifications

Andrew Mohl retired 7 November 2018.
Brian Long retired 31 December 2018.

Professor Genevieve Bell

Independent Non-Executive Director

Genevieve became a Non-Executive Director on 1 January 2019. Genevieve is a cultural anthropologist, technologist and futurist. Genevieve is a Distinguished Professor at the College of Engineering and Computer Science at the Australian National University (ANU) and is the inaugural Florence Violet McKenzie Chair at the University. Genevieve is a Senior Fellow of Intel Corporation and is the Vice President of Intel's Product Assurance and Security Group.

- Nil.
- Florence Violet McKenzie (Chairman), Autonomy, Agency & Assurance Innovation Institute (3A), National Science and Technology Council (Member) and Editorial Board of the Australian Army Journal (Member).
- PhD, MA, MPhil, BA.

Sir David Higgins

Independent Non-Executive Director

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

- People & Remuneration Committee (Chairman) and Risk Committee.
- Gatwick Airport Ltd (Chairman), United Utilities Group PLC (Board Member), United Utilities Water Ltd (Board Member) and Senior Advisor of Marshall Industries and BAI Communications.
- BE (Civil), Diploma (Securities Institute of Australia).

Paul O'Malley

Independent Non-Executive Director

Paul became a Non-Executive Director on 1 January 2019. Paul was Managing Director and Chief Executive Officer of BlueScope Steel Limited from 2007 to 2017, after joining the company as Chief Financial Officer 18 months prior. He was formerly the Chief Executive Officer of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas, and has held other senior financial management roles within TXU. Paul had previously worked in investment banking and consulting. Paul is a former Director of the Worldsteel Association, Chair of its Nominating Committee and Trustee of the Melbourne Cricket Ground Trust.

- People & Remuneration Committee[1] and Nominations Committee.
- Australian Catholic Redress Limited (Chairman).
- BCom, M. App Finance, ACA.

Mary Padbury

Independent Non-Executive Director

Mary has been a Non-Executive Director since June 2016. She is a pre-eminent intellectual property lawyer with over 35 years' experience. Mary retired as Partner of Ashurst at the end of April 2018 and from the role of Vice Chairman of Ashurst at the end of 2017. She was Chairman of Ashurst Australia for eight years prior to the firm's full merger with Ashurst LLP in 2013. Mary spent a number of years in the UK with boutique firm Bristows, and as resident partner of Ashurst Australia. She has undertaken intellectual property work for Australian and multinational corporations in a range of technology areas and has extensive international, legal and governance experience.

- People & Remuneration Committee and Nominations Committee.
- Trans-Tasman IP Attorneys Board (Chairman), The Macfarlane Burnet Institute for Medical Research and Public Health Ltd (Chairman), Clinical Genomics Technologies Holdings Limited (Director), Chief Executive Women (Member) and Victorian Legal Admissions Committee (Member).
- BA LLB (Hons), GAICD.

Wendy Stops

Independent Non-Executive Director

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

- Audit Committee and People & Remuneration Committee.
- Altium Ltd, Coles Group, Fitted For Work Ltd, University of Melbourne (Council Member), Chief Executive Women (Member), Australian Institute of Company Directors Technology Governance & Innovation Panel and Chairman of the Melbourne Business School's Centre for Business Analytics Advisory Board.
- BAppSc (Information Technology), GAICD.

Anne Templeman-Jones

Independent Non-Executive Director

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

- Audit Committee (Chairman) and Risk Committee.
- GUD Holdings Ltd, The Citadel Group Ltd, WorleyParsons Ltd, Cyber Security Research Centre Ltd (Director) and Cyber Security Research Committee (Member).
- BCom, EMBA, MRM, CA, FAICD.

Robert Whitfield

Independent Non-Executive Director

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

- Risk Committee and Nominations Committee.
- NSW Treasury Corporation.
- BCom, Grad Dip Banking, Grad Dip Fin, AMP, SF Fin, FAICD.

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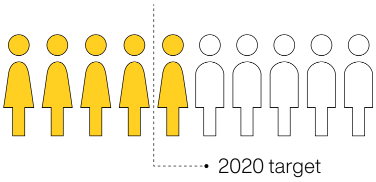
[1] Paul O'Malley will become chair of the People & Remuneration Committee effective 1 January 2020.

The Board adopted a target of 40% female Board members by the end of 2020. The Board first met this target in 2017 and now exceeds it.

Female Directors

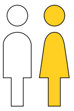
50%
as at 30 June 2019

40%
2020 target

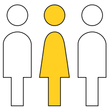


Tenure as at 30 June 2019

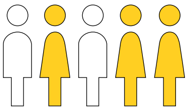
0-1
YEARS
2 Directors



1-3
YEARS
3 Directors



3-6
YEARS
5 Directors



Board renewal and composition

Andrew Mohl retired at the conclusion of the 2018 Annual General Meeting, and Brian Long retired on 31 December 2018. In anticipation of Brian Long's retirement, Anne Templeman-Jones was appointed Chairman of the Audit Committee and a member of the Risk Committee on 1 October 2018.

Professor Genevieve Bell and Paul O'Malley were both appointed Non-Executive Directors on 1 January 2019. Genevieve's knowledge and understanding of technology in society and business has brought a unique and valuable perspective to the Board. Paul's broad operational and finance experience, as well as his experience in business leadership, has brought a strategic perspective to the Board.

Paul O'Malley was appointed a member of the Remuneration Committee and the Nominations Committee effective 1 June 2019. Paul will commence as Chairman of the renamed People & Remuneration Committee from 1 January 2020 following Sir David Higgins' retirement on 31 December 2019.

The Board uses a Skills Matrix (Matrix) which sets out the desired skills and experience important for the effectiveness of the Board. It is reviewed annually to ensure it reflects the appropriate mix of skills, expertise and experience required to address existing and emerging business and governance issues, and to enable Directors to effectively review the performance of management.

As a result of this year's review, 'Enhanced customer outcomes' was added to the Matrix. This competency is considered important for Directors to oversee the Bank's efforts to improve the experience and outcomes of our customers through:

- increasing the voice of the customer in Board deliberations
- ensuring regular reporting of customer complaints, insights and management's actions in response
- overseeing CBA conduct risk in relation to customer outcomes
- ensuring speed of customer remediation where failures have occurred.

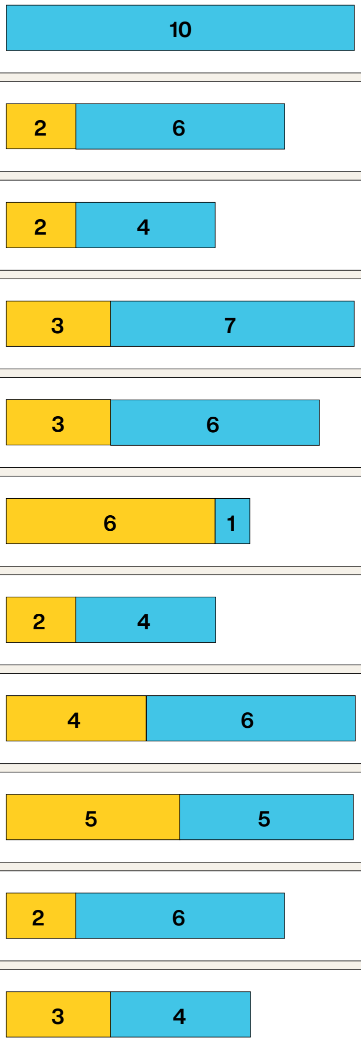
This year, each Director completed a questionnaire rating their skills, expertise and experience from 0 to 3 for each competency (0 = no experience, 1 = awareness, 2 = practised/direct experience and 3 = high competency, knowledge and experience). The self-assessment ratings were subsequently calibrated with these results reviewed by the Nominations Committee and approved by the Board.

Individual matrices have also been developed for the Audit Committee, Remuneration Committee and Risk Committee.

The Board considers that all of its Non-Executive Directors, including the Chairman, were independent during the year and continue to be independent.

Board skills matrix

🟨 Practised skill/direct experience (number of Directors) 🟦 High competency, knowledge and experience (number of Directors)



Enhanced customer outcomes Demonstrated ability to understand the needs of customers and enhance their experience and outcomes		10
Financial acumen Proficiency in financial accounting and reporting, capital management and/or actuarial experience	2	6
Financial services experience Experience in banking, as relevant to CBA, and financial regulation	2	4
Global perspective Having a global perspective through exposure or responsibility for international operations	3	7
Leadership Held CEO or similar position in an organisation of significant size	3	6
Legal acumen Proven ability and understanding in the application of legal principles	6	1
Listed company experience Experience as a non-executive director of at least two other listed entities (Australia or overseas)	2	4
Risk management Proven ability in identifying, assessing and managing macro, strategic, operational and financial risks	4	6
Stakeholder engagement Demonstrated ability to build and maintain key relationships with industry, government or regulators	5	5
Strategy Demonstrated experience in developing, implementing and delivering strategic business objectives	2	6
Technology Experience in technology strategies and innovation	3	4

Stakeholder engagement

The Bank is committed to providing better outcomes for customers, earning the trust of the communities we serve, ensuring our people are energised and accountable, and delivering sustainable, long-term returns for our shareholders.

Key stakeholders

Customers

We regularly engage with our customers through customer feedback, surveys and workshops, customer representative bodies, complaint channels and external dispute resolution bodies.

Our Customer Advocate function strengthens accountability for fair customer outcomes and offers a more customer-oriented approach. The function helps improve our products, processes, systems and decision making in order to deliver better and consistently fair customer outcomes.

Community

We engage with members of the community and community organisations through a variety of channels. For example, we participate in community events and forums, are members of industry associations, and meet with Non-Government Organisations. The insights we gain in the process of our engagement help us continuously improve our products and services in light of evolving community expectations.

In addition, the Bank regularly convenes external advisory forums to discuss specific matters – these include the CEO Advisory Panel, the Customer Advocate Community Council and the Indigenous Advisory Council.

Through the CommBank Foundation we offer our people the opportunity to participate in one of Australia's largest workplace giving programs. During the 2019 financial year, the CommBank Foundation provided over $3.7 million to eligible community organisations, and raised over $2 million for cancer research.

Our people

We engage with our people formally, twice a year, through an engagement survey, Your Voice. The survey informs the Board about how engaged our people are with our purpose, our values and the team they are working with. We also seek feedback on diversity and inclusion. The responses provide the Board and Executive Leadership Team with key opportunities for improvement for matters that affect our people.

We use a range of digital and social platforms to communicate with our people. During the year we established 'AskMe', an online platform designed to capture our people's feedback about new ideas or initiatives that could help us become a simpler, better bank.

We encourage our people to report any misconduct issues and provide them the ability to do so through our SpeakUP hotline. The Group Whistleblowing Policy outlines the processes for investigating and resolving any misconduct issues that have been reported.

Shareholders

We aim to provide our shareholders with timely information relevant to their investment. There are multiple avenues for shareholders to access information and provide feedback. Detailed company information can be found on our Investor Centre at commbank.com.au/investors.

We communicate regularly with shareholders through the Group's Annual Report, full-year and half-year financial results announcements, quarterly trading updates and ASX announcements. Our shareholders also receive an update from the Chairman and CEO with their interim dividend statements.

All material information is released to the ASX in compliance with the Bank's continuous disclosure obligations under the *Corporations Act 2001* (Cth) and the ASX Listing Rules. Our Continuous Disclosure Policy was reviewed and updated in March 2019 and is available at commbank.com.au/corporategovernance.

We recognise the importance of shareholder participation at our Annual General Meeting (AGM) and shareholders are encouraged to attend and participate. The Bank's AGM is held in different locations to facilitate shareholder attendance. Our AGM is webcast live to allow shareholders who are unable to attend in person, to view the AGM online. We encourage shareholders to submit their questions ahead of the AGM, as they provide useful insights into shareholder concerns, enabling the Bank to provide relevant feedback on consistent themes raised.

Our Investor Relations team is responsible for communication and engagement with investors and provides the Board with regular updates on Investor Relations matters. The Chairman, CEO, CFO and Group Executives meet with domestic and offshore institutional investors throughout the year.

Board Committees – Areas of focus

Catherine Livingstone AO
Nominations Committee Chairman

Nominations Committee Chairman's message

The Nominations Committee is responsible for Board and Board Committee composition, succession planning, Director induction and appointment, election and re-election of Non-Executive Directors. During the year, the Nominations Committee focused on the membership and skills mix of the Board and Board Committees, and the Governance Framework covering key operating subsidiaries.

Anne Templeman-Jones
Audit Committee Chairman

Audit Committee Chairman's message

The Audit Committee is responsible for external reporting of financial information for the Group, the internal control framework and environment, the internal auditor and internal audit function and external auditors, and the Group's Risk Management Framework in conjunction with the Risk Committee. During the year, the Audit Committee focused on the implementation of IFRS 9 'Financial Instruments', and improvements to the issues identification and management process and the Group Audit and Assurance end to end process.

Shirish Apte
Risk Committee Chairman

Risk Committee Chairman's message

The Risk Committee is responsible for the Group's Risk Management Framework, Risk Culture and the Risk Management Function. During the year the Risk Committee focused on non-financial risks areas of cybersecurity, financial crimes compliance, suppliers and data management, ensuring a more efficient flow of non-financial risk information.

Sir David Higgins
People & Remuneration Committee Chairman

People & Remuneration Committee Chairman's message

The Remuneration Committee is responsible for remuneration strategy and policy, remuneration arrangements and outcomes, and the performance management framework. During the year it also focused on more formal processes for ensuring that risk-related behaviours and outcomes are reflected in variable remuneration outcomes together with the Group's implementation of the recommendations of the Sedgwick Report on Payments in Retail Banking.

Assessing Board effectiveness

The Board recognises the importance of continuously monitoring and improving its performance and the performance of its Committees.

Performance evaluations are externally facilitated every three years, or as otherwise determined by the Board. In the intervening years, an internal evaluation is conducted. The next external evaluation is scheduled for 2020.

Evaluation cycle

2019 evaluation of the Board's performance

The Board has been evaluating its performance throughout the year having regard to the focus areas identified as a result of the 2018 performance evaluation, the implementation of the Banking Executive Accountability Regime and the governance recommendations in the Inquiry Report.

The Board commenced an internal evaluation in May to formally assess its performance, and the performance of each Board Committee. The process was led by the Chairman of the Board with the support of the Group Company Secretary.

The internal evaluation process was expanded this year, to include a series of questions designed to assess whether the Board:

- continues to have heightened visibility of conduct, culture and reputation within the Bank
- has promoted a clear tone from the top in both clear and consistent messaging and actions
- has an effective working relationship with, and engages in regular constructive discussions with management
- effectively inducts, and provides sufficient professional development opportunities to Directors to ensure it has the rights balance of skills and expertise
- is receiving adequate reporting for effective decision making
- demonstrates rigour and urgency in respect of key issues and closure of control weaknesses.

Feedback was also sought from the Executive Leadership Team.

The Chairman held individual meetings with each Director to discuss their evaluation responses, as well as their individual performance throughout the year. The Chairman was assessed by a Non-Executive Director. The outcomes of the internal performance evaluation were provided to the Board in June and the findings discussed in August.

The evaluation concluded that the performance of the Board and its Board Committees was effective for the year under review.

The Board agreed to the following four areas of focus for the 2020 financial year:

- the working relationship between the Board and management
- culture including customer outcomes, conduct, compliance and reputation
- longer-term strategy including the impact of emerging technology and innovation
- enhanced Board reporting and processes.

Governance in practice

Group policy framework

Policies play a key role in guiding decision making and conduct across the Group. To ensure that our policies are fit for purpose, we have enhanced the Group's policy framework and embarked on a comprehensive review of policies and supporting procedures.

Enhancements to the policy framework have:

- streamlined and standardised policy governance and management across the Group
- clarified roles, responsibilities and accountabilities
- introduced a systematic approach for determining whether policies should be developed, consolidated or revoked.

The comprehensive policy review currently underway is streamlining our policies and procedures and ensuring that they:

- are clear, consistent and easy to understand
- articulate minimum standards for compliance and operational risk management
- promote cultural change
- support our purpose of improving the financial wellbeing of our customers and communities.

APRA Prudential Inquiry Report: Board governance recommendations

The Bank has developed a Remedial Action Plan to address the recommendations outlined in the Inquiry Report.

Recommendations 1-5 relate specifically to Board governance. The Board continues to make progress from designing to implementing actions to address each recommendation. To provide clarity on objectives, the Board has developed target states.

The Board's external performance evaluation, scheduled for 2020, is expected to include an independent assessment of the progress towards these target state objectives.

#1 Board visibility

Target state:

The Board continues to have a positive influence on the behaviours within the Group, and is engaged and visible with senior management.

- The CEO and the Group Company Secretary report key matters arising from Board and Board Committee meetings to the Executive Leadership Team (ELT). This includes sharing feedback from the meeting review process to ensure alignment on actions and agenda items for the next meeting.
- The annual Board evaluation process includes engagement with the ELT on Board and Board Committee performance. The evaluation focuses on whether the Board continues to have heightened visibility and promotes a clear tone at the top.

#2 Board better practice

Target state:

The Board, and its Audit and Risk Committees, are operating at a level consistent with global better practice.

- A review of risk management processes and practices of the Board, Risk Committee and Audit Committee was conducted. The findings of the review were tabled and discussed by the Board.
- The Board Corporate Governance Guidelines were amended to include periodic reviews of the processes and practices of the Board and Board Committees to consider if they are appropriately aligned with global better practice for risk management.

#3 Board coordination

Target state:

There will be clear accountabilities between Board Committees, timely and effective information flows between the Board Committees and oversight and resolution of relevant issues.

- In June 2018, the Board reviewed and approved appropriate referral of matters between its Board Committees. Concurrent meetings of the Board Committees are held periodically to consider material financial and non-financial risks relevant to executive performance and remuneration, and share information about key matters where appropriate.

#4 Audit Committee

Target state:

Owners of material issues are held accountable for the resolution and effective closure of issues within their remit.

- The Bank has reviewed and updated its end to end internal audit practices with a specific focus on assisting the Audit Committee to drive greater accountability for resolution of issues, including the way in which the remediation of issues associated with red rated audit reports and associated issues are monitored and reported.

#5 Board reporting

Target state:

The Board is able to understand, examine and identify the issues arising across the categories of non-financial risk, including new and emerging risks. The Board will receive granular information with respect to the Bank's position against its risk appetite in order to drive discussion and actions to manage non-financial risk.

- Non-financial risk reporting, and the process in which it is escalated to the Board, Risk or other Committee, has been enhanced. Regular reporting is received by the Board on key areas of focus discussed at the ELT Non-Financial Risk Committee.

Executive Leadership Team

Left to right: Adam Bennett, Pascal Boillat, Sian Lewis, Nigel Williams, David Cohen, Angus Sullivan, Matt Comyn (CEO), Andrew Hinchliff, Vittoria Shortt, Alan Docherty, Anna Lenahan.

Adam Bennett

Group Executive, Business and Private Banking

Adam was appointed Group Executive, Business and Private Banking (B&PB) in January 2015. He has responsibility for Business Banking, Private Banking and CommSec. He joined the Bank in 2004 and was the Chief Information Officer for Retail and Business Banking. He joined the B&PB Leadership Team in 2009, serving as Executive General Manager of Local Business Banking from 2012 to 2014.

Adam's key priorities include: strengthening the customer proposition across everyday banking, merchants and payments, and commercial lending; improving the end-to-end customer experience through investment in digital, analytics, and frontline bankers; and enhancing risk management.

Previously, Adam was Principal at strategic consulting practice A.T. Kearney, working across industries in Australia, New Zealand, Asia and Europe. He also worked as a consultant at Ernst & Young.

Pascal Boillat

Group Executive, Enterprise Services and Chief Information Officer

Pascal joined the Bank as Group Executive, Enterprise Services and Chief Information Officer, in October 2018. He has responsibility for information technology, cyber security, technology infrastructure and digital delivery across the Group. He also leads operations and procurement.

Pascal's priorities focus on strengthening the safe, sound and secure provision of technology and operations services; agility to enable the delivery of new products and services for customers at pace; and improving performance to ensure Enterprise Services produces the right outcomes for the Bank.

Previously, Pascal held a number of senior executive roles at Deutsche Bank, Fannie Mae, Citibank and Credit Suisse. He has more than 30 years' international experience in the financial services sector.

David Cohen

Deputy Chief Executive Officer

David was appointed Deputy Chief Executive Officer in November 2018. In this role he is responsible for the Group's Customer and Community Advocacy team, as well as the Group's Mergers and Acquisitions team and the International Financial Services business. David also oversees Colonial First State, and until its sale is complete, CommInsure Life. On 1 July 2019, he assumed interim responsibility for Group General Counsel. David joined Commonwealth Bank in 2008 and has held a number of roles including Group General Counsel, Group Executive Group Corporate Affairs and Chief Risk Officer.

In addition to his business responsibilities, David's key priority is supporting the Chief Executive Officer on Group-wide initiatives to build a simpler and better bank for the future, with a focus on building and enhancing the Bank's engagement with government, regulators, industry and community groups, and chairing the Bank's Royal Commission Implementation Taskforce.

Previously, David was General Counsel of AMP and a partner with Allens Arthur Robinson for 12 years.

Alan Docherty

Group Executive, Financial Services and Chief Financial Officer

Alan was appointed Group Executive, Financial Services and Chief Financial Officer in October 2018 after acting in the role from May 2018. He has responsibility for the Group's finance function. Alan joined the Bank in 2003 and has held a variety of senior finance leadership positions, before serving as Chief Financial Officer of the Institutional Banking and Markets division.

Alan's priorities are to ensure that the finance function supports the execution of the Bank's purpose and strategy through a long term focus on fostering a highly engaged and talented team who: build trust with all stakeholders and help them make informed decisions; ensure the Bank remains resilient through prudent management of our key financial risks; and deliver strong and sustainable capital generation for the benefit of our shareholders.

Alan's career began in the UK, working in PwC's Financial Services practice 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

Andrew was appointed Group Executive, Institutional Banking and Markets (IB&M) in August 2018. He has responsibility for serving the financial needs of large institutions and governments across Australia and New Zealand, and in select international markets. Andrew joined the Bank in 2015 as Executive General Manager, Global Markets.

Andrew is focused on IB&M being the bank of choice for Australian corporations and governments, as well as corporations looking to do business in Australia. Andrew is committed to ensuring IB&M brings a new perspective to its clients and utilises its global network to help its clients build a better Australia.

Andrew's career in institutional banking and markets spans more than 15 years, having held a variety of leadership positions with Goldman Sachs and Credit Suisse First Boston across Fixed Income, Currencies, Commodities Sales and Trading teams.

Anna Lenahan

Group General Counsel and Group Executive, Group Corporate Affairs

Anna joined the Bank as Group General Counsel and Group Executive, Group Corporate Affairs in November 2016. She advised the CEO and the Board on legal matters and was also responsible for delivering an integrated and consistent approach to the Group's external and internal affairs, communications, sustainability and corporate governance.

Anna's priorities have been to ensure the effective and efficient resolution of the Group's legal matters; support the effectiveness of the Board; provide timely, meaningful information on the Group's activities to our stakeholders; and meet the Group's commitment to invest in the community.

Prior to joining the Bank, Anna was the Chief Risk and Legal Officer at Suncorp Group. Previously she was a Corporate Partner at Allens Arthur Robinson and a crown prosecutor with the Department of Public Prosecutions in Perth.

Anna retired on 30 June 2019.

Sian Lewis

Group Executive, Human Resources

Sian was appointed Group Executive, Human Resources (HR) in August 2018. Sian joined the Bank in 2014 as General Manager, Distribution Transformation and more recently led 2,500 people across the retail bank's customer contact centres.

Sian's priorities are to help the Bank maintain an energised and accountable workforce that is committed to delivering the Bank's purpose; integrate the Bank's values to guide the right actions and behaviours; strengthen and support a diverse and inclusive workforce; promote employee wellbeing; skill the Bank's workforce for the future; and simplify HR processes for our people.

Previously, Sian spent nine years at Westpac, working across retail and business banking and two years working with the Australian banking regulator, APRA. Originally from the UK, Sian spent 10 years in senior HR consulting roles at Atos Consulting and KPMG as change and program management director.

Vittoria Shortt

Chief Executive and Managing Director, ASB

Vittoria was appointed Chief Executive and Managing Director of ASB in February 2018. She has responsibility for leading the Group's New Zealand subsidiary. Vittoria joined Commonwealth Bank in 2002 and has held a number of leadership roles across the retail banking businesses of Commonwealth Bank and Bankwest, including as Group Executive, Marketing and Strategy.

Vittoria's priorities are to provide leading customer experiences that deliver good customer outcomes; harness new technology to provide innovative solutions; and support community programs that have a significant positive impact.

Vittoria's career began in New Zealand, working in Corporate Finance and Mergers and Acquisitions with Deloitte and Carter Holt Harvey.

Angus Sullivan

Group Executive, Retail Banking Services

Angus was appointed Group Executive, Retail Banking Services, in July 2018 after acting in the role from April 2018. He is responsible for Retail Banking Services, which serves over 10 million customers, and Bankwest. Angus joined the Bank in 2012 as Executive General Manager, Group Strategy. In 2013, he moved to Retail Banking Services where he held a number of senior positions across products, payments and the retail branch network.

Angus' priorities are to deliver exceptional customer service and outcomes, with leading technology and innovation in products and services. He is also committed to continuing the Retail Bank's legacy of supporting Australian communities.

Previously, Angus was a Partner at McKinsey & Co. in New York, specialising in retail and commercial banking, wealth management, payments and general insurance.

Nigel Williams

Group Chief Risk Officer

Nigel joined the Bank as Group Chief Risk Officer in November 2018. He is responsible for the effective risk management of all risk types across the Group – including credit risk, operational risk, compliance, liquidity, financial crime compliance and insurance.

Nigel is focused on achieving better customer and risk outcomes by driving more conscious risk/return decisions and better compliance across the Group.

Nigel was the Chief Risk Officer at Australia and New Zealand Banking Group and previously Managing Director for ANZ's Institutional Bank in Australia. Nigel has 35 years of banking experience across Australia, New Zealand and abroad.

George Confos ceased as Acting Group Executive, Institutional Banking and Markets on 31 July 2018.

Melanie Laing ceased as Group Executive, Human Resources and retired on 31 July 2018.

Paul Newham ceased as Acting Group Executive, Enterprise Services and Chief Information Officer on 30 September 2018.

Michael Venter Chief Operating Officer Wealth Management, ceased as Key Management Personnel on 2 December 2018.

Coenraad (Coen) Jonker ceased as Group Executive, International Financial Services on 31 December 2018.

Priscilla Sims Brown assumed the role of Group Executive, Marketing and Corporate Affairs on 1 August 2019.

Directors' report

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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 ending 30 June 2019.

Principal activities

We are one of Australia's leading providers of financial services. We serve the needs of more than 17.4 million customers with a focus on retail and commercial banking.

Our products and services are provided through the following divisions:

- Retail Banking Services provides home loans, consumer finance and other banking products and services to personal and business customers. Customers are supported through a network of branches, ATMs, Australia-based customer call centres, online services and apps, as well as mobile banking specialists and support teams. Retail Banking Services includes Bankwest, the Group's general insurance business in Australia (which is under strategic review), the Group's mortgage broking operations and Commonwealth Financial Planning.
- Business and Private Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions as well as providing banking and advisory services for high net worth individuals. Business and Private Banking also provides margin lending and online equities trading through our CommSec business.
- 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, transactional banking, working capital and risk management capabilities.
- ASB New Zealand includes banking and funds management businesses operating in New Zealand.
- Wealth Management provides superannuation, investment, retirement and insurance products and services including financial planning.
- International Financial Services includes the Indonesian retail and business banking operations and associate investments in China and Vietnam.

We operate in Australia, New Zealand, United Kingdom, the United States, China, Japan, Europe, Singapore, Hong Kong and Indonesia.

On 21 September 2017, the Group entered into an agreement to sell 100% of its life insurance businesses in Australia (CommInsure Life) and New Zealand (Sovereign) to AIA Group Limited (AIA). The sale of Sovereign completed on 2 July 2018. The sale of CommInsure Life remains subject to completion of the transfer of the Group's stake in BoCommLife Insurance Company Limited (BoCommLife) out of CommInsure Life and its associated Chinese regulatory approvals.

The Group and AIA remain fully committed to completing the CommInsure Life transaction. The Group and AIA are also well progressed in exploring an alternative path to complete the CommInsure Life transaction prior to the transfer of the Group's stake in BoCommLife. The alternative path is expected to be subject only to Australian regulatory approvals and would result in overall financial outcomes for the Group that are not expected to be materially different to those previously announced. The Group expects to be able to provide further details of this alternative path by the end of the first quarter of the financial year 2020, if the sale of BoCommLife has not substantially progressed in that timeframe.

On 23 May 2018, the Group announced the sale of its 37.5% equity interest in BoCommLife to Mitsui Sumitomo Insurance Co. Ltd (MSI). The sale of BoCommLife is subject to Chinese regulatory approvals and is the final condition precedent for the sale of CommInsure Life. The sale of BoCommLife is expected to be completed in the second half of the calendar year 2019.

On 25 June 2018, the Group announced its intention to demerge its wealth management and mortgage broking businesses, and undertake a strategic review of its general insurance business, including a potential sale.

On 23 October 2018, the Group announced the sale of its 80% interest in its Indonesian life insurance business, PT Commonwealth Life, to FWD Group (FWD). As part of the sale, CBA's Indonesian banking subsidiary, PT Bank Commonwealth (PTBC), will enter into a 15 year life insurance distribution partnership with FWD. The sale is subject to regulatory approvals in Indonesia and is now expected to complete in the second half of calendar year 2019.

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 completed on 2 August 2019.

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 (ARC).

On 14 March 2019, the Group announced suspension of its preparation for the demerger of its remaining wealth management and mortgage broking businesses in order to focus on the implementation of the Royal Commission recommendations, refunding customers and remediating past issues.

On 13 June 2019, the Group announced the sale of its 100% interest in Count Financial Limited (Count Financial) to CountPlus Limited (CountPlus). Completion is expected to occur in October 2019.

CommInsure Life, Sovereign, BoCommLife, CFSGAM, PTCL and TymeDigital SA have been classified as discontinued operations in the Group's financial statements for the year ended 30 June 2019. The assets and liabilities of Count Financial are classified as held for sale as at 30 June 2019.

Operating and financial review

Financial performance summary

The Group's statutory net profit after tax including discontinued operations for the year ended 30 June 2019 decreased 8% on the prior year to $8,571 million. Statutory net profit after tax from continuing operations for the year ended 30 June 2019 decreased 8% on the prior year to $8,360 million. The result reflected a continued challenging operating environment, though business fundamentals remained strong.

Total operating income decreased by 3% primarily driven by a 1% decrease in net interest income, with average interest earning assets increasing 1% on the prior year due to continued growth in home loans. Net interest margin on a continuing operations basis decreased 5 basis points largely driven by customer switching, competition, and elevated short term wholesale funding costs.

Other banking income decreased by 8% primarily due to lower credit card income, lower transaction fees due to the simplification of fee waivers and lower overdrawn account fees following the introduction of pre-emptive customer alerts. Insurance income decreased 38% driven by weather events, primarily the New South Wales (NSW) hail storm, Queensland floods and other weather events in NSW, Victoria and Queensland. Funds management income decreased 5% due to lower volume of initial advice fees and the cessation of ongoing service fees partly offset by growth in Funds Under Administration and higher Assets Under Management.

Operating expenses increased 3%, as a result of higher risk and compliance FTE, wage inflation, an increase in technology infrastructure costs and an increase in risk and compliance investment spend, partly offset by decreased occupancy and equipment costs as a result of branch network optimisation and the closure of offshore offices.

Loan impairment expense increased by 11%, driven by higher individual provisions due to a small number of large single name exposures in the business portfolio and higher collective provisions reflecting higher arrears in the consumer finance portfolio and softening economic conditions.

Tax expense decreased by 14% during the period primarily due to lower net profit before tax and the non-recurrence of the $700 million AUSTRAC civil penalty incurred in the prior year that was non-deductible for tax purposes.

Further information and analysis of the financial performance including a review of operations for the financial year is set out in the Financial performance section on pages 40 – 49.

Material risks

The Group recognises that risk is inherent in business and that effective risk management is a key component of sound corporate governance and is essential in delivering our business objectives.

The Group seeks to adopt a comprehensive approach to risk management through its Risk Management Framework. This framework covers the Group's systems, policies, processes and people who monitor, mitigate and report risk.

The Group's material risk types and its approach to managing them are described in Our material risks on pages 53 – 54 and in Note 9 of the *Financial report* on pages 201 – 231. A description of the material trends in our current external operating context, and the way that the risk framework is being developed to support better customer and risk outcomes, is provided in the Operating context on page 8 and in the Risk management section on pages 50 – 63.

In addition, commentary on the Group's ongoing litigations, investigations and reviews for full year ended 30 June 2019 is included in Note 7.1 of the *Financial report* on pages 185 – 190.

Outlook

We expect our operating context to remain challenging as we adapt to heightened regulatory change, increasing competition, evolving customer preferences, and the need to invest in risk and compliance and in technology and innovation.

The Bank is however well positioned to navigate this changing landscape with the backing of a resilient balance sheet, strong customer base and leading distribution and digital assets. We are focused on continuing to serve our customers' needs and are making the necessary changes to become a simpler, better bank.

More information on our business strategies and prospects for future financial years including our material risks and how we are managing them can be found in the Strategic report on pages 2 – 39, the Operating context on page 8 and the Risk management section on pages 50 – 63.

Dividends

The Directors have determined a fully franked (at 30%) final dividend of 231 cents per share amounting to $4,089 million. The dividend will be payable on 26 September 2019 to shareholders on the register at 5.00pm AEST on 15 August 2019.

Dividends paid in the year ended 30 June 2019 were as follows:

Dividend	Date Paid	Fully Franked Dividend Per Share	Total Dividend ($ million)	Total Dividend Comprises ($ million)
Final Dividend for the year ended 30 June 2018	28 Sep 2018	231 cents	$4,065	Cash: $3,316 DRP: $749
Interim Dividend for year ended 30 June 2019	28 Mar 2019	200 cents	$3,540	Cash: $2,948 DRP: $592

Events subsequent to balance sheet date

The Dividend Reinvestment Plan for the final dividend for the year ended 30 June 2019 will be satisfied in full by an on-market purchase and transfer of shares of approximately $683 million.

The sale of CFSGAM completed on 2 August 2019, resulting in final sale proceeds of $4.2 billion and a total post tax gain of $1.5 billion (inclusive of separation costs and subject to final tax calculations and completion adjustments).

The Group has decided to cease providing licensee services through Financial Wisdom and will proceed with an assisted closure. The Group has also decided to allow Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) advisers to transition to self-licensing arrangements or move to another licensee.

The Group has committed an investment of US$100 million into Klarna Holding AB (Klarna), as part of their US$460 million capital raise. The Group will become Klarna's exclusive partner in Australia and New Zealand and intends to further invest at the parent and local level to support this partnership.

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

For further information on subsequent events refer to Note 12.7 in the *Financial report* on page 271.

Change in state of affairs

We continue to make progress against each of the key strategic priorities in pursuit of our purpose to improve the financial wellbeing of our customers and communities. Further to the changes in principal activities referred to above there have been no significant changes in the state of affairs during the financial year.

Environmental reporting

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

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

For more information on the Group's voluntary environmental reporting, see the Our approach to addressing climate change section on pages 55 – 63 and our environmental metrics on pages 297 – 302.

Directors

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

- Catherine Livingstone AO
- Matt Comyn
- Shirish Apte
- Professor Genevieve Bell (appointed 1 January 2019)
- Sir David Higgins
- Paul O'Malley (appointed 1 January 2019)
- Mary Padbury
- Wendy Stops
- Anne Templeman-Jones
- Robert Whitfield
- Andrew Mohl (retired 7 November 2018)
- Brian Long (retired 31 December 2018)

Details of current Directors, their experience, qualifications and any special responsibilities, including Committee memberships, are set out on pages 66 and 67.

Other directorships

These Directors held the following directorships in other Australian listed companies in the three years prior to the end of the 2019 financial year:

Director	Company	Appointment Date	Retirement date (if applicable)
Catherine Livingstone AO	WorleyParsons Limited	01/07/2007	
Wendy Stops	Coles Group Limited	19/11/2018	
	Altium Limited	01/02/2018	
Paul O'Malley	Bluescope Steel Limited	06/08/2007	31/12/2017
Anne Templeman-Jones	G.U.D Holdings Limited	01/08/2015	
	The Citadel Group Limited	08/09/2017	
	WorleyParsons Limited	01/11/2017	
	Pioneer Credit Limited	23/09/2014	07/11/2016
	HT&E Limited	04/06/2013	14/05/2018
Brian Long	Brambles Limited	01/07/2014	
	OneMarket Limited	07/06/2018	
	Ten Network Holdings Pty Limited[1]	01/07/2010	25/07/2016

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[1] Formerly Ten Network Holdings Limited, converted to a proprietary limited company on 10 January 2018.

Directors' meetings

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

	Board				Committees[1]							
	Scheduled Meetings		Unscheduled Meetings		Risk[2]		Audit[2]		Remuneration[2,8]		Nominations[2]	
	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended	Held[3]	Attended
Director												
Catherine Livingstone AO	10	10	1	1	10	10	11	11	12	12	11	11
Matt Comyn	10	10	1	1	–	–	–	–	–	–	–	–
Shirish Apte	10	10	1	1	10	10	11	11	–	–	–	–
Professor Genevieve Bell[4]	5	5	–	–	–	–	–	–	–	–	–	–
Sir David Higgins	10	10	1	1	10	10	–	–	12	12	–	–
Brian Long[5]	5	4	1	1	4	3	5	4	–	–	5	4
Andrew Mohl[6]	4	4	1	1	3	3	–	–	5	5	–	–
Paul O'Malley[7]	5	5	–	–	–	–	–	–	2	2	2	2
Mary Padbury	10	10	1	1	–	–	–	–	12	12	11	11
Wendy Stops	10	10	1	1	–	–	11	11	12	12	–	–
Anne Templeman-Jones	10	10	1	1	9	9	11	11	–	–	–	–
Robert Whitfield	10	10	1	1	10	10	–	–	–	–	11	11

1 The Board also establishes ad hoc Committees for special purpose business from time to time to support the Board in carrying out its responsibilities.
2 Two concurrent meetings of the Risk, Audit, Nomination and Remuneration Committees have been counted as additional meetings of each committee.
3 The number of scheduled and unscheduled meetings held during the time the Director was a member of the Board or of the relevant committee.
4 Professor Genevieve Bell was appointed a member of the Board effective 1 January 2019.
5 Brian Long retired from the Audit Committee, Risk Committee, Nominations Committee and the Board effective 31 December 2018.
6 Andrew Mohl retired from the Risk Committee, Remuneration Committee and the Board effective 7 November 2018.
7 Paul O'Malley was appointed a member of the Board effective 1 January 2019 and the Remuneration and Nominations Committees effective 1 June 2019.
8 Committee name changed to People & Remuneration Committee effective 1 July 2019.

Directors' shareholdings, share rights and options

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

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 1,377,132 share rights outstanding in relation to Bank ordinary shares and no employee options.

Directors' and officers' indemnity and insurance

Constitution

The Directors, as named on page 79 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 senior managers of the Bank.

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

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

Deeds of indemnity

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

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

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

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

Insurance

The Bank has, during the financial year, paid an insurance premium in respect of a Directors' and Officers' liability and company reimbursement insurance policy for the benefit of the Bank and persons defined in the insurance policy who include Directors, Company Secretaries, Officers and certain employees of the Bank and related bodies corporate. The insurance is appropriate pursuant to section 199B of the *Corporations Act 2001 (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 in respect of the Bank, and there are no proceedings that a person has brought or intervened in on behalf of the Bank under that section.

Rounding and presentation of amounts

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

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

The Group manages its business performance using a "cash basis" profit measure. The key items that are excluded from statutory profit for this purpose are non-recurring or not considered representative of the Group's ongoing financial performance. Profit on an "underlying" basis is used primarily in the wealth management businesses. It provides a profit measure that excludes returns and revaluations on shareholder capital invested in the wealth management businesses and changes in economic assumptions impacting the insurance businesses and investment profits on the annuity portfolio for a measure of core operating performance.

Company secretaries

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

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 Australia Institute of Company Directors 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 brings extensive corporate governance and secretariat experience in financial services, having previously worked with Suncorp, ING, MLC, KeyInvest and the ASX. Kristy is a Fellow of the GIA, and a Member of the Australian Institute of Company Directors and the GIA Legislative Review Committee.

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

Key: 🎓 Qualifications

Remuneration report

Message from the Remuneration Committee Chairman

Dear Shareholder

Our strategy is to become a simpler, better bank to fulfil our purpose of improving the financial wellbeing of our customers and the community. We are well on our way, but there is more to do. Our remuneration policy, frameworks and governance have and will continue to evolve, building on the transformation commenced in 2017.

The 2019 financial year has been challenging for the Bank. The Royal Commission highlighted a number of risk and reputational issues, and the Group's performance overall was significantly impacted by in-year provisions to address customer remediation issues. Remuneration outcomes for the Chief Executive Officer (CEO) and Group Executives directly reflect this context, with Short-Term Variable Remuneration (STVR) outcomes below target and variability reduced as a result of not achieving shareholder and customer advocacy results.

Risk and Remuneration Consequences

The Board recognises the important role that remuneration can play in effectively managing risk, including emphasising positive risk culture and supporting the Group's approach to consequence management. The Board reinforces accountability for poor customer and risk outcomes through remuneration consequences.

During the 2019 financial year, we introduced material enhancements to increase the rigour and challenge in the Group's approach to risk and remuneration, including improved information to support the Board's determination of remuneration consequences in relation to risk and reputational matters. Consequences applied to both current and former Executives during the 2019 financial year were:

- Of the 15 Executives eligible for an STVR award, 14 received in-year reductions in relation to risk and reputational matters, including the CEO.
- The Board exercised discretion to forfeit all unvested deferred awards for a former Group Executive, having regard to the performance outcomes of their business unit that have resulted in significant adverse financial, customer, and reputational impacts.

Strengthening our Remuneration Approach

In the 2019 financial year we:

- Increased the weighting of non-financial measures in the CEO and Group Executive performance scorecards, to provide a more balanced focus on customer, people, strategic and shareholder outcomes. As required by the Enforceable Undertaking agreed with Australian Prudential Regulation Authority (APRA), scorecards also included a significant weighting for the delivery of the Remedial Action Plan (RAP).
- Fully implemented the recommendations of the Sedgwick Retail Banking Remuneration Review within CBA to drive a focus on better customer outcomes across customer-facing employees and their leaders. Financial measures now represent a maximum of 30% of balanced scorecards. Variable remuneration is capped at 40% of base remuneration, with the exception of select home lending specialists.
- Introduced a new STVR approach for CBA, incorporating a formal assessment of financial and non-financial risk measures for pool funding to reinforce collective accountability.
- Adopted clear criteria to assess the overall effectiveness of our remuneration policy and practices, with reviews conducted every two years.
- Implemented the Banking Executive Accountability Regime's (BEAR) remuneration requirements in full.

Renewal of Executive Team

During the 2019 financial year we welcomed seven new appointments, bringing a strong mix of local and global experience across banking, risk, digital transformation, and leadership of cultural change.

Securing the best executive talent and capability is critical to the execution of the Group's strategy. The Board determined that in order to secure the best talent it was necessary and appropriate to provide competitive remuneration packages, based on a careful assessment of local and global competitor practices.

Priorities for the 2020 Financial Year

We will monitor and adjust our remuneration policy and frameworks for all employees so they continue to meet both the spirit and the requirements of revised regulatory standards, and reflect evolving community expectations. We will continue on our path of reinforcing better risk and customer outcomes through remuneration that appropriately balances financial and non-financial performance measures, enables risk and consequence management frameworks, and provides greater transparency to support cultural change. Further, the introduction of regular policy effectiveness reviews will strengthen Board oversight and help to inform our future remuneration approach.

I will be retiring from the Board at the end of the year. It has been a privilege to serve as Chairman of the Remuneration Committee during a time of considerable challenge for the Bank. I am pleased that the Committee, with the full support of the Board, has made significant progress in addressing the challenges faced.

While I am retiring, we recognise that there is still much to do. In that regard, I am pleased to hand over to Paul O'Malley, who will be commencing as Chairman of the People & Remuneration Committee from 1 January 2020.

Thank you for your continued interest, support and feedback as we continue to build a simpler, better bank.

I invite you to review the full remuneration report.

Sir David Higgins
Remuneration Committee Chairman

Remuneration at a glance

CEO remuneration

For the 2019 financial year, the CEO:

- Did not receive an increase to Fixed Remuneration (FR).
- Received an STVR outcome of **68% of target value** and **45% of maximum value**. This outcome of less than half of the maximum opportunity reflects assessed performance and an overall reduction applied to the STVR outcome as a consequence of his risk assessment being Partially Met.
- Received partial vesting of the 2016 financial year Long-Term Variable Remuneration (LTVR) award, which reached the end of its four-year performance period on 30 June 2019. The award vested at **24.31% overall**, as a result of 0% vesting against the relative Total Shareholder Return (TSR) measure and 98.5% vesting against relative customer satisfaction measures.
- Received total remuneration of **$3.4m** for his first full year in the role.
- Had a maximum variable remuneration opportunity weighted at **55% for financial measures** and **45% for non-financial measures**.

Group Executives and CEO ASB

For the 2019 financial year:

- There were no FR increases for Group Executives who did not change roles.
- David Cohen did not receive a FR increase upon appointment to the Deputy CEO role.
- FR for the newly appointed Group Executives and the CEO ASB (Pascal Boillat, Alan Docherty, Andrew Hinchliff, Sian Lewis, Angus Sullivan, Vittoria Shortt and Nigel Williams) are shown on page 86.
- Overall there was reduced opportunity for variability in Group Executive STVR outcomes, with zero outcomes where financial/shareholder and customer advocacy measures did not meet threshold levels.
- The average STVR outcome for Group Executives and the CEO ASB (as a % of maximum) was **44%**.

	% of maximum STVR	
	2019 financial year	**2018 financial year**
CEO	**45%**	0%
Group Executives (range)	**31% – 52%**	0% – 38%
CEO ASB	**52%**	N/A

Read more on page 93

LTVR outcomes

The 2016 financial year LTVR award reached the end of its four-year performance period on 30 June 2019, with **24.31%** of the award vesting as a result of performance against the LTVR measures.

Read more on page 96

Risk and remuneration consequences

The 2018 APRA Prudential Inquiry Report highlighted shortcomings in the way CBA applied remuneration consequences when risk expectations were not fully met, both individually and collectively.

The Board has been working with management to improve procedures to identify employees who have not fully met the Board's expectations of risk behaviours and outcomes, and those employees who exceptionally manage risk.

Over 300 employees were recognised for the way they have positively influenced the risk culture of CBA.

The Code of Conduct is the framework that applies to the management of employee conduct. In the 2019 financial year, there were 1,869 instances of unacceptable conduct, including 18 senior leaders (General Managers and Executive General Managers), with 187 resulting in termination.

As a result of the improvements made to risk assessment processes to support the annual performance reviews for the 2018 financial year, 2,462 employees participating in the STVR plan were identified as not having fully met risk expectations and accountabilities (compared to 1,316 in the prior year). This included 73 senior leaders.

Broadly, STVR outcomes were reduced by a minimum of 10%, ranging to 100%, with 2,331 employees assessed as only partially meeting risk expectations and 131 employees rated as failing to meet risk standards. Malus adjustments to deferred variable remuneration were also applied.

This is in addition to the remuneration consequences previously applied to reflect individual and/or collective accountability for the findings of the APRA Prudential Inquiry Report. The total remuneration consequences applied across CBA for the 2017 and 2018 financial years exceeded $100 million.

Key features of CBA's performance and remuneration framework are detailed below, including the enhancements made in the 2019 financial year. ASB is also reviewing its remuneration framework, in light of New Zealand regulatory expectations.

Element	Details
Risk culture	Improvements made in the 2019 financial year included: • Launching the new Code of Conduct in September 2018 that specifies the Board's expectations for how our people act, solve problems and make decisions. Compliance with the Code is now a part of the values and risk assessment for all employees. • Introducing a new "Exceptionally Managed" category to the risk assessment rating scale. This provides balance to the risk assessment so that it is not only punitive, but also promotes and recognises exceptional risk behaviours and outcomes, and supports positive cultural change. • Updating our values expectations and values assessment process which ensures that STVR outcomes are based on both what was achieved (key performance indicators) and how it was achieved (values and risk assessment).
Alignment of remuneration with prudent risk-taking	• Risk scorecards provided the Board with robust and timely information to determine if an appropriate consequence should be applied to Group Executive remuneration outcomes for risk and reputation matters. Risk scorecards are independently reviewed and challenged by the Group Chief Risk Officer (CRO). The Group CRO's risk scorecard is independently reviewed and challenged by the Risk Committee Chair. • Risk scorecards were extended to General Managers and now apply to all senior leaders of the organisation from the 2019 financial year. • A new Bank-wide approach to funding of the STVR pool was introduced, incorporating an assessment of financial and non-financial risks in addition to risk-adjusted financial measures (this ensures that all relevant risks are considered in determining the available STVR pool, as well as reinforcing collective accountability). • To support the role's independence, the remuneration mix and weightings of performance measures in the balanced scorecard for the Group CRO were revised and differ from the other Group Executives, with any linkages to Group financial outcomes removed.
Risk assessment process	• Executive risk assessments were discussed at the concurrent meetings of the Remuneration, Risk, Audit and Nominations Committees as part of the interim and annual performance assessment processes for Executives (excluding the CEO ASB). • In the 2019 financial year, the Bank sought to improve the rigour and governance of the risk assessment process. Enhancements included Board approval of: – Risk scorecard guidance and processes that included the following elements: compliance with audit review timeframes, the new Code of Conduct, the BEAR accountabilities and assessment of Financial Crime Compliance behaviours. – Enhanced guidance to all employees on how to assess risk behaviours and outcomes (including for Exceptionally Managed outcomes) and the remuneration consequences of not fully meeting risk expectations. – Transparent communication to all employees of both good and poor risk assessments for the 2018 financial year and subsequent remuneration outcomes. – Formal guidance on the application of malus to deferred variable remuneration as a result of a material risk or misconduct matters.
Malus/ Clawback	• Malus is the ability to reduce (including to zero) and withhold variable remuneration awards that have been awarded, but not vested. CBA has had the ability to apply malus adjustments to unvested deferred variable remuneration outcomes since 2013. In the 2019 financial year, formal guidance on the application of malus was introduced. • The Board exercised discretion to forfeit all unvested deferred awards for a former Group Executive, having regard to the performance outcomes of their business unit that have resulted in significant adverse financial, customer, and reputational impacts. • Clawback will be explored as part of the CEO and Group Executive remuneration strategy and framework review during the 2020 financial year.

Appointment arrangements of externally hired Group Executives

The Board recognises that it is vital to secure the best executive talent, including in the areas of risk, digital, cyber security and audit. In the 2019 financial year, Pascal Boillat, Group Executive, Enterprise Services and Chief Information Officer, and Nigel Williams, Group CRO, were appointed to the Executive Team. These roles are critical to delivering the Group's strategy of becoming a simpler, better bank, and both Group Executives are highly experienced in their relevant fields, and bring global perspectives to the Group.

Pascal leads the technology and operations division of the Group, and is responsible for information technology, cyber security, technology infrastructure and digital delivery for all divisions across CBA. Pascal brings significant experience from working with large global organisations, having previously been the Chief Information Officer for Deutsche Bank.

Nigel brings extensive banking experience, both local and global, including his previous role as CRO of ANZ Banking Group Limited. As Group CRO, Nigel's role is crucial to developing and embedding risk frameworks and re-building trust with relevant regulatory authorities.

To secure these Group Executives, the Board determined that it was necessary and appropriate to provide:

- Competitive remuneration packages, with consideration of internal peers and external market comparators.
- Awards to compensate for unvested awards granted by their former employers and forfeited upon termination of their previous employment. The quantum and vesting schedule of these were determined based on:
  - Forfeited unvested award value, with specific consideration given to any performance conditions. A discount was applied considering the vesting likelihood of any performance-based awards where applicable; and
  - Vesting schedule broadly aligning to the forfeited awards' schedule.
- Relocation benefits to support their relocations to Sydney. Further detail is provided on pages 97 and 98.

The table below outlines the awards offered:

Executive	Grant date	Grant details	Vesting schedule	Vesting conditions
Pascal Boillat	1 October 2018	82,660 deferred shares (indicative value of $5.86m). Eligible for dividends paid on deferred shares during the vesting period.	Vesting in six tranches between April 2019 and March 2023.	Subject to: • Continued employment; • Board risk and reputation review; and • Malus provisions.
Nigel Williams	5 November 2018	43,112 deferred shares (indicative value of $2.95m). Eligible for dividends paid on deferred shares during the vesting period.	Vesting in four tranches between January 2019 and November 2021.	

Exit arrangements

The table below outlines the exit arrangements for Group Executives during the 2019 financial year. Further detail is provided on pages 97 and 98:

Executives	Exit arrangements
Coen Jonker (ceased on 31 Dec 18)	• Payment in lieu of balance of notice period. • Provision of benefits required by law, mobility and repatriation benefits on ceasing employment and severance pay for past services in accordance with his employment agreement (six months FR). • Eligible for pro-rated 2019 financial year STVR award[1]. Not eligible for 2019 financial year LTVR award. Unvested deferred STVR and LTVR awards remain on-foot[2].
Melanie Laing (ceased on 31 Jul 18)	• Payment in lieu of balance of notice period. • Provision of benefits required by law, additional long service leave accrued based on past service and agreed legal costs (capped) related to termination. • Not eligible for 2019 financial year STVR or LTVR award. Unvested LTVR awards remain on-foot[2].
Anna Lenahan (ceased on 30 Jun 19)	• Provision of benefits required by law. • Eligible for 2019 financial year STVR[1]. Unvested deferred STVR and LTVR (including 2019 financial year LTVR awarded in November 2018) remain on-foot[2].

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[1] In line with the BEAR, for any payment determined and paid in ordinary course (subject to performance and Board risk and reputation review), 60% of any award will be paid in cash and remaining 40% deferred as cash vesting four years after the decision is made to make the relevant grant.

[2] No accelerated or automatic vesting upon ceasing employment. The on-foot awards will have performance measured in the ordinary course at the end of the performance period related to each award. Final outcomes will be subject to performance, and Board risk and reputation review.

Remuneration received by current Executives during the 2019 financial year

The remuneration outcomes table below provides a summary of the remuneration that was received by current Executives in their Key Management Personnel (KMP) roles during the 2019 financial year. We believe that presenting this information provides shareholders with greater clarity and transparency of Executive remuneration. This table differs from the statutory remuneration table on page 97, which presents remuneration in accordance with accounting standards (i.e. on an accruals basis).

Remuneration received by current Executives during the financial year ended 30 June 2019:

Cash payments	a) **FR:** Base remuneration plus superannuation (for Vittoria Shortt, contributions are made in line with the KiwiSaver employer contribution requirements) paid for the period as KMP. For Alan Docherty, this includes the cash allowance paid to him during his acting period. b) **Cash STVR:** 50% (60% for the CEO ASB) of the 2019 financial year STVR (relates to performance during the 12 months to 30 June 2019).
Vesting of prior year awards	d) **Deferred equity awards:** The value of all equity awards (STVR, LTVR or sign-on awards) that vested during their period as KMP plus any dividends accrued during the deferral period. The value shown is the face value (i.e. based on the volume-weighted average closing price (VWACP) of the Group's ordinary shares over the five trading days preceding the vesting date).
Awards forfeited or lapsed	f) **Previous years' awards forfeited or lapsed:** The value of all unvested deferred equity awards that were forfeited or lapsed during the 2019 financial year as the performance, risk and reputation or service conditions were not met.

All remuneration presented in this report is in Australian Dollars.

	FR	Cash STVR	Total cash payments	Deferred equity awards[1]	Total remuneration received	*Previous years' awards forfeited or lapsed*
	a	b	c = a + b	d	e = c + d	f
CEO						
Matt Comyn						
30 Jun 19	**2,200,000**	**747,450**	**2,947,450**	**464,108**	**3,411,558**	***(1,270,151)***
30 Jun 18	1,315,949	–	1,315,949	1,529,923	2,845,872	*(653,185)*
Current Executives						
Adam Bennett						
30 Jun 19	**1,049,580**	**244,684**	**1,294,264**	**372,984**	**1,667,248**	***(562,884)***
30 Jun 18	1,049,580	225,988	1,275,568	280,480	1,556,048	–
Pascal Boillat[2]						
30 Jun 19 (effective 1 Oct 18)	**1,121,918**	**353,825**	**1,475,743**	**1,052,765**	**2,528,508**	**–**
David Cohen[3]						
30 Jun 19	**1,200,000**	**348,218**	**1,548,218**	**405,514**	**1,953,732**	***(1,109,864)***
30 Jun 18	1,200,000	261,300	1,461,300	1,377,033	2,838,333	*(587,842)*
Alan Docherty[4]						
30 Jun 19	**945,277**	**291,296**	**1,236,573**	**233,096**	**1,469,669**	**–**
30 Jun 18 (effective 14 May 18)	98,630	51,966	150,596	–	150,596	*(41,820)*
Andrew Hinchliff[5]						
30 Jun 19 (effective 1 Aug 18)	**915,068**	**302,888**	**1,217,956**	**378,283**	**1,596,239**	**–**
Anna Lenahan						
30 Jun 19	**865,000**	**332,809**	**1,197,809**	**719,170**	**1,916,979**	**–**
30 Jun 18	865,000	249,120	1,114,120	260,418	1,374,538	–
Sian Lewis[6]						
30 Jun 19 (effective 1 Aug 18)	**754,932**	**260,829**	**1,015,761**	**223,942**	**1,239,703**	**–**
Vittoria Shortt[7]						
30 Jun 19 (effective 1 Jul 18)	**965,550**	**940,777**	**1,906,327**	**309,688**	**2,216,015**	***(345,461)***
Angus Sullivan[8]						
30 Jun 19	**1,050,000**	**374,500**	**1,424,500**	**409,280**	**1,833,780**	**–**
30 Jun 18 (effective 9 Apr 18)	114,909	78,641	193,550	–	193,550	*(67,857)*
Nigel Williams[9]						
30 Jun 19 (effective 5 Nov 18)	**945,479**	**276,819**	**1,222,298**	**1,294,553**	**2,516,851**	**–**

[1] **Deferred equity awards:** This reflects the portions of the 2015 financial year LTVR award (performance period ended 30 June 2018), and the 2015, 2016 and 2017 financial year deferred STVR awarded under Executive General Manager arrangements that vested in 2019 financial year. For Pascal Boillat, Anna Lenahan and Nigel Williams, this reflects the portion of their sign-on awards that vested in the 2019 financial year.

[2] **Pascal Boillat** was appointed as KMP effective 1 October 2018, therefore no prior year comparison is shown.

[3] **David Cohen** was appointed as Deputy CEO effective 5 November 2018. 2019 financial year remuneration reflects his time in both the Group CRO role (1 July 2018 to 4 November 2018) and Deputy CEO role (5 November 2018 to 30 June 2019). Prior year comparison reflects remuneration for his prior role as Group CRO.

[4] **Alan Docherty** was appointed as Group Executive, Financial Services and Chief Financial Officer effective 15 October 2018. 2019 financial year remuneration reflects his time in both the Acting Group Executive, Financial Services and Chief Financial Officer role (1 July 2018 to 14 October 2018) and Group Executive, Financial Services and Chief Financial Officer role (15 October 2018 to 30 June 2019). Prior year comparison reflects remuneration for his prior part year KMP role, Acting Group Executive, Financial Services and Chief Financial Officer.

[5] **Andrew Hinchliff** was appointed as KMP effective 1 August 2018, therefore no prior year comparison is shown.

[6] **Sian Lewis** was appointed as KMP effective 1 August 2018, therefore no prior year comparison is shown.

[7] **Vittoria Shortt** was determined as KMP in the CEO ASB role effective 1 July 2018. No prior year comparison is shown as she ceased as KMP in her previous role of Group Executive, Marketing and Strategy on 2 February 2018. In addition to the $28,123 KiwiSaver that forms part of Vittoria Shortt's FR, an additional payment of $28,223 is payable on her cash STVR component.

[8] **Angus Sullivan** was appointed as Group Executive, Retail Banking Services effective 1 July 2018. Prior year comparison reflects remuneration for his prior part year KMP role, Acting Group Executive, Retail Banking Services (from 9 April 2018 to 30 June 2018).

[9] **Nigel Williams** was appointed as KMP effective 5 November 2018, therefore no prior year comparison is shown.

Definitions

This remuneration report details the performance and remuneration of KMP for the 2019 financial year. KMP is defined as persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

The Board has determined that the CEO ASB role should be considered a KMP role from 1 July 2018, given ASB's key part in delivering the Group's strategy and important contribution to the Group more broadly.

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

Term	Meaning
Executives	**Collective term referring to the individuals in the following executive groups: CEO, Group Executives, CEO ASB and Other Executives**
CEO	Managing Director and Chief Executive Officer
Group Executives	All permanent Executives, excluding the CEO, CEO ASB and Other Executives (as defined below)
CEO ASB	Chief Executive Officer of ASB Bank Ltd
Other Executives	Includes Michael Venter (Chief Operating Officer Wealth Management) and all Acting Group Executives Excludes the CEO, Group Executives and CEO ASB
Non-Executive Directors	**KMP who are not Executives**

1. Key Management Personnel

The table below outlines the Group's KMP in the financial year ended 30 June 2019.

Name	Position	Term as KMP
Chairman		
Catherine Livingstone AO	Chairman	Full year
Current Non-Executive Directors		
Shirish Apte	Director	Full year
Genevieve Bell	Director (from 1 January 2019)	Part year
David Higgins	Director	Full year
Paul O'Malley	Director (from 1 January 2019)	Part year
Mary Padbury	Director	Full year
Wendy Stops	Director	Full year
Anne Templeman-Jones	Director	Full year
Robert Whitfield	Director	Full year
Former Non-Executive Directors		
Brian Long	Director (ceased as KMP on 31 December 2018)	Part year
Andrew Mohl	Director (ceased as KMP on 7 November 2018)	Part year
Managing Director and CEO		
Matt Comyn	Managing Director and Chief Executive Officer	Full year
Current Executives		
Adam Bennett	Group Executive, Business and Private Banking	Full year
Pascal Boillat	Group Executive, Enterprise Services and Chief Information Officer (from 1 October 2018)	Part year
David Cohen[1]	Deputy Chief Executive Officer (from 5 November 2018)	Full year
Alan Docherty[2]	Group Executive, Financial Services and Chief Financial Officer (from 15 October 2018)	Full year
Andrew Hinchliff	Group Executive, Institutional Banking and Markets (from 1 August 2018)	Part year
Anna Lenahan[3]	Group General Counsel and Group Executive, Group Corporate Affairs	Full year
Sian Lewis	Group Executive, Human Resources (from 1 August 2018)	Part year
Vittoria Shortt[4]	Chief Executive Officer, ASB	Full year
Angus Sullivan	Group Executive, Retail Banking Services	Full year
Nigel Williams	Group Chief Risk Officer (from 5 November 2018)	Part year
Former Executives		
George Confos	Acting Group Executive, Institutional Banking and Markets (ceased as KMP on 31 July 2018)	Part year
Coen Jonker	Group Executive, International Financial Services (ceased as KMP on 31 December 2018)	Part year
Melanie Laing	Group Executive, Human Resources (ceased as KMP on 31 July 2018)	Part year
Paul Newham	Acting Group Executive, Enterprise Services and Chief Information Officer (ceased as KMP on 30 September 2018)	Part year
Michael Venter	Chief Operating Officer Wealth Management (ceased as KMP on 2 December 2018)	Part year

1 David Cohen was the Group CRO from 1 July 2018 to 4 November 2018 and the Deputy CEO from 5 November 2018 to 30 June 2019.

2 Alan Docherty was acting in the Group Executive, Financial Services and Chief Financial Officer role from 1 July 2018 to 14 October 2018.

3 Anna Lenahan retired from the Group on 30 June 2019.

4 The CEO ASB role has been determined to be KMP as of 1 July 2018.

2. Executive remuneration framework

CEO and Group Executives

The below diagram illustrates the remuneration framework that applied to the CEO and Group Executives during the 2019 financial year. The Remuneration Committee undertook a comprehensive review of the CEO and Group Executive remuneration framework during the 2019 financial year and determined to not make any material changes to the existing framework effective for the 2020 financial year.

A further review of the CEO and Group Executive remuneration framework will be undertaken during the 2020 financial year incorporating new guidance set by our regulators. The review aims to ensure that our remuneration framework continues to support our remuneration principles outlined below.

BEAR
Our remuneration framework, including variable remuneration deferral for all Executives meets the BEAR requirements.

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

OUR REMUNERATION FRAMEWORK AND OUTCOMES REFLECT OUR VALUES

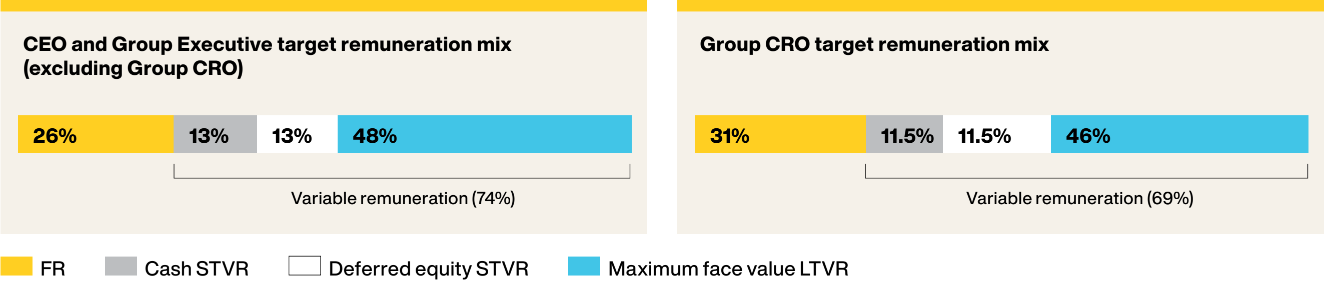
- We do what is right
- We are accountable
- We are dedicated to service
- We pursue excellence
- We get things done

	FR	STVR (at risk)			LTVR (at risk)
Rationale	Provides market competitive remuneration to attract and retain high quality talent whilst reflecting role size and accountabilities.	Rewards annual performance, providing specific focus on strategic priorities. The values and risk and reputation outcome modifiers reward for the way the Group achieves performance outcomes.			Focuses efforts on achieving longer-term superior performance for key stakeholder groups – customers, the community, our people and shareholders. Rewards participants for the creation of sustainable long-term shareholder value and driving positive culture and engagement across the Group, and re-building trust with our customers and the community.
Structure	Base remuneration and superannuation.	50% paid as cash	25% deferred into equity for one year	25% deferred into equity for two years	Rights to shares with no dividend equivalent payments, vesting subject to performance over a four-year period.
Approach	• Reviewed annually against peer group remuneration disclosures. • Primary peer group is the other three major Australian banks.	• **Quantum:** – Target opportunity of 100% of FR (75% of FR for Group CRO). – Maximum opportunity of 150% of FR (112.5% of FR for Group CRO). • **Performance measures:** Financial (30%; 10% for Group CRO) and non-financial measures (70%; 90% for Group CRO), being customer, people and strategic measures, including delivery of the RAP. • **Modifiers:** Performance outcomes subject to Board assessment of demonstration of values, risk and reputation.			• **Quantum:** Maximum face value allocation of 180% of FR (150% for Group CRO), vesting is subject to performance measures and Board risk and reputation review. • **Performance measures:** – Relative TSR (75%); trust and reputation (12.5%); and employee engagement (12.5%). – A positive TSR gateway applies to the trust and reputation and employee engagement measures. – Relative TSR is measured against a peer group made up of the 20 largest companies on the ASX by market capitalisation, excluding resources companies, and CBA.
	All variable remuneration is subject to Board risk and reputation review and malus consideration.				

Mandatory shareholding requirement: Group Executives must accumulate CBA shares equal to 200% of FR (300% of FR for the CEO) over a five-year period from the date of their appointment to the respective roles. More detail on Executive shareholding is provided in on page 90.

CEO and Group Executive target remuneration mix

The following diagrams illustrate the target remuneration mix for the CEO and Group Executives. For the CEO and Group Executives (excluding the Group CRO), approximately three-quarters of target remuneration is variable and at risk. The Group CRO's remuneration mix has a greater emphasis on FR than variable remuneration compared to other Group Executives to support the role's independence from the Group's business activities.



CEO ASB

As required by New Zealand legislation, the CEO ASB is employed by ASB. The Appointments and Remuneration Committee (ARC) of the ASB Board advises and makes recommendations to the ASB Board regarding the CEO ASB's performance and remuneration arrangements, including structure, targets and outcomes.

For the 2019 financial year the following arrangements apply to the CEO ASB:

- Total remuneration consists of FR (includes base remuneration and KiwiSaver) and STVR (not eligible for LTVR). KiwiSaver is payable on all STVR cash components. Total remuneration is intended to be market competitive when compared against New Zealand major banking peers.
- STVR scorecard performance measures broadly align with Group Executives and are determined by the ASB Board at the beginning of the financial year. At year end, the ASB Board determine a performance rating (Needs Improvement; Inconsistent Performance; Valued Contribution; Higher Impact or Exceptional Achievement) based on quantitative and qualitative inputs. A values and behaviours assessment, and risk assessment (based on an Executive Risk Scorecard) are modifiers used to determine outcomes, consistent with the process for Group Executives.
- The process for determining the CEO ASB's STVR outcome differs from Group Executives and is specific to the ASB business. ASB operates its own discretionary annual variable remuneration plan. Outcomes under that discretionary plan are determined using a combination of company and individual performance outcomes as illustrated below:

CEO ASB STVR reference value		**STVR pool/ASB performance multiplier**[1]		**Individual performance multiplier**		**Distribution factor**[2]
120% of base salary	X	75% at threshold 125% at target 150% at maximum Based on NPAT and PACC	X	100% at target 180% at maximum	X	85% – 100%

[1] The ASB ARC has the discretion to adjust pool funding outcomes based on non-financial factors (including customer and risk) together with peer relative financial performance.

[2] The 'distribution factor' applied depends on individual performance outcomes across all ASB employees who participate in the STVR plan, to ensure payments can be funded within the available pool.

From 1 July 2019, the ASB Board has determined that the CEO ASB's remuneration structure will more closely align to the Group Executives, including the incorporation of an LTVR component and reduction in STVR opportunity. For the 2020 financial year the following arrangements apply to the CEO ASB:

- No change to FR which will continue to be comprised of base remuneration and KiwiSaver on base remuneration. STVR of 100% of FR at target and 150% at maximum. KiwiSaver is payable on all cash components of STVR. STVR is based on ASB performance measures. 50% of any STVR will be deferred in restricted shares and vest equally over two years, and 50% payable in cash. LTVR of 180% of fixed remuneration. LTVR will be based 50% on Group relative TSR, 25% relative ASB trust and reputation and 25% absolute employee engagement.

The CEO ASB is subject to the Group's mandatory shareholding requirement, whereby CBA shares equal to 200% of FR must be accumulated over a five year period from 1 July 2018.

Other Executives

While acting in Group Executive roles during the 2019 financial year, George Confos (1 July 2018 to 31 July 2018), Alan Docherty (1 July 2018 to 14 October 2018) and Paul Newham (1 July 2018 to 30 September 2018) each received a cash allowance to recognise the additional accountability and responsibilities of their respective roles. This cash allowance ceased at the conclusion of their acting role appointments.

The STVR for Other Executives is calculated as a percentage of base remuneration (before superannuation). Two-thirds of their STVR is paid in cash and the remaining one-third is deferred into equity that vests in three equal tranches over three years.

For the period they were Accountable Persons, deferred remuneration requirements under the BEAR were met. 60% paid in cash and 40% deferred into equity for four years (unless the de minimis threshold of $50,000 applies).

Other Executives did not participate in the LTVR plan during the 2019 financial year.

3. CEO, Group Executives and CEO ASB mandatory shareholding requirement

The following table presents the position of the CEO, Group Executives and CEO ASB against the mandatory shareholding requirement as at 30 June 2019:

Executive	Current shareholding (% of FR)[1]	Shareholding requirement (% of FR)	Position against requirement and deadline
Matt Comyn	183%	300%	Below – 9 Apr 2023
Adam Bennett	190%	200%	Below – 12 Jan 2020
Pascal Boillat	329%	200%	Meets
David Cohen	359%	200%	Meets
Alan Docherty	72%	200%	Below – 15 Oct 2023
Andrew Hinchliff	114%	200%	Below – 1 Aug 2023
Anna Lenahan	185%	200%	Below – 28 Nov 2021
Sian Lewis	70%	200%	Below – 1 Aug 2023
Vittoria Shortt	113%	200%	Below – 1 Jul 2023
Angus Sullivan	105%	200%	Below – 1 Jul 2023
Nigel Williams	217%	200%	Meets

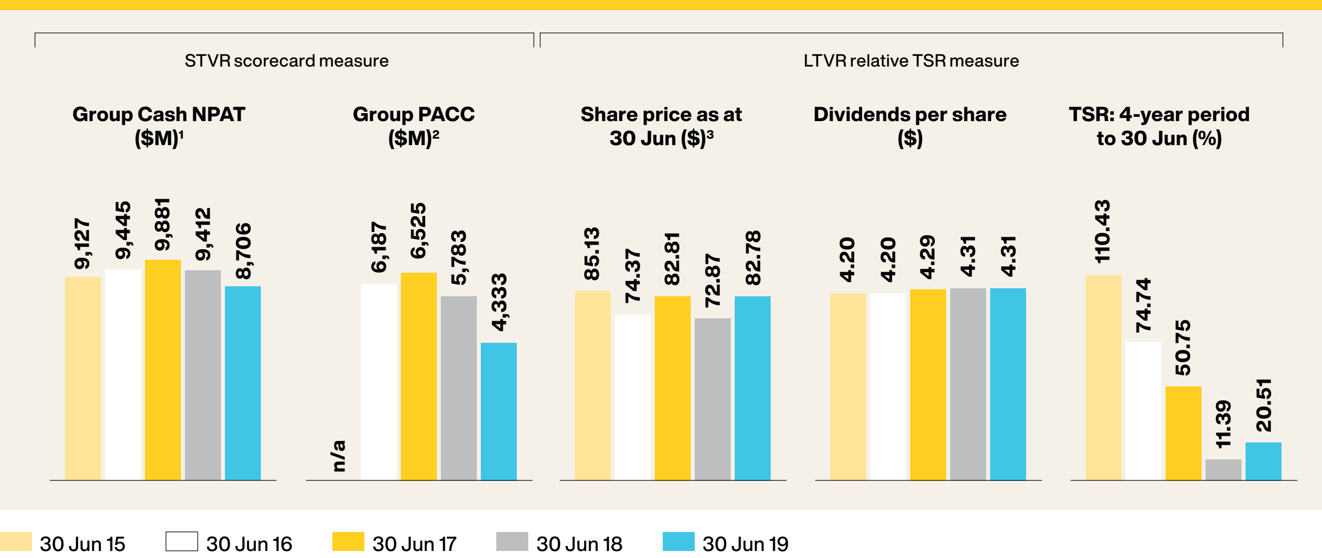
[1] Represents percentage of full-year contractual FR (based on CBA closing share price on 30 June 2018 of $72.87). Shareholdings include fully paid ordinary CBA shares and unvested equity awards with service based hurdles held by the Executive and/or certain related parties.

4. Performance and remuneration outcomes

Remuneration varies with short and long-term performance outcomes

Group financial performance

The graph and table below shows the link between CEO and Group Executive remuneration outcomes and the Group's financial performance over the past five financial years (including the 2019 financial year).



1 Group Cash NPAT includes discontinued operations.
2 Due to methodology changes, comparatives for Group Profit after Capital Charge (PACC) have only been provided for the 2016, 2017, 2018 and 2019 financial years.
3 CBA opening share price on 1 July 2014 was $80.65.

Remuneration outcomes	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 18	30 Jun 19
STVR outcome (average % of maximum)	78%	75%	0%[1]	19%[2]	44%
LTVR vesting outcome (% of maximum)	86%	20%	67%	24%	24%

[1] The STVR outcomes for the CEO and Group Executives were adjusted downwards to zero, reflecting collective accountability for the overall reputation of the Group and risk 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 to reflect individual accountability relating to the individual for other risk and reputation matters separate from the APRA Prudential Inquiry Report findings.

Short term variable remuneration

2019 financial year STVR award – key features

The table below outlines key features of the 2019 financial year STVR award for the Executives. Refer to page 103 for treatment of STVR on cessation of employment.

<table>
<tr><th>Features</th><th>Approach</th></tr>
<tr><td>Purpose</td><td>Reward annual performance, with balanced focus on customer, people, strategic and shareholder outcomes, incorporating both risk and reputation and values assessments. Recognises both the "how" and the "what" of performance.</td></tr>
<tr><td>Participants</td><td>All Executives</td></tr>
<tr><td>Opportunity</td><td>
<table>
<tr><th>Executives</th><th>Target STVR</th><th>Maximum STVR</th></tr>
<tr><td>CEO and Group Executives (excluding Group CRO)</td><td>100% of FR</td><td>150% of FR</td></tr>
<tr><td>Group CRO</td><td>75% of FR</td><td>112.5% of FR</td></tr>
<tr><td>CEO ASB</td><td>150% of base remuneration[1]</td><td>324% of base remuneration</td></tr>
<tr><td>Other Executives[2]</td><td>n/a</td><td>130% – 170% of base remuneration</td></tr>
</table>
1 Assumes ASB STVR pool is at target.
2 Where STVR maximum % is specified.
</td></tr>
<tr><td>CEO and Executive performance measures and weightings</td><td>
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 chosen support the delivery of the Group's strategy and reflect a mix of financial and non-financial outcomes to provide a balanced assessment of performance.

Weighting of the financial/shareholder measure was reduced for the CEO and Group Executives to 30% to support a more balanced performance focus. Scorecard weightings cover financial/shareholder and non-financial measures linked to Group and business unit targets, and vary by role.
<table>
<tr><th>Role[1]</th><th>Financial/ Shareholder</th><th>Non-Financial (split between customer, people and strategy)</th></tr>
<tr><td>CEO and Group Executives (excluding Group CRO)</td><td>30%</td><td>70%</td></tr>
<tr><td>Group CRO</td><td>10%</td><td>90% (40% is weighted towards delivering future fit risk management)</td></tr>
<tr><td>CEO ASB</td><td>40%</td><td>60%</td></tr>
</table>
1 For the Other Executives, weightings vary by individual with consideration to their business unit and/or support function priorities.
</td></tr>
<tr><td>Modifier(s)</td><td>
Once the balanced scorecard has been assessed and performance outcomes have been determined, that outcome is subject to the following modifiers:
• Values: the Board[1] has the discretion to adjust Executive STVR outcomes upwards or downwards including to zero where appropriate.
• Risk and reputation: the Board[1] has the discretion to adjust Executive STVR outcomes downwards including to zero where appropriate.
1 'Board' is to be read as ASB Board in respect of discretion for the CEO ASB's STVR outcomes.
</td></tr>
<tr><td>Calculation of awards</td><td>
STVR awards for the CEO and Executives[1] (excluding the CEO ASB) are calculated as follows:
<table>
<tr><th colspan="3">Opportunity</th><th></th><th>Unadjusted outcome</th><th></th><th>Modifiers</th><th></th><th>Adjusted outcome</th></tr>
<tr><td rowspan="2">FR $</td><td rowspan="2">x</td><td rowspan="2">Target STVR opportunity %[1]</td><td rowspan="2">x</td><td rowspan="2">Performance scorecard result %[2]</td><td>→</td><td>Values</td><td rowspan="2">=</td><td rowspan="2">Value of adjusted STVR award $</td></tr>
<tr><td>→</td><td>Risk and reputation</td></tr>
</table>
1 Maximum STVR opportunity for Other Executives (where there is a specified maximum %).
2 The Board retains discretion to adjust scorecard outcomes.
</td></tr>
<tr><td>Deferral</td><td>
• CEO and Group Executives[1]: 50% of the STVR award is deferred and delivered in deferred shares that vest in equal tranches over one and two years.
• CEO ASB: 40% of the STVR award is deferred and delivered in deferred shares that vest after four years.
• Other Executives: One-third of the STVR award is deferred and delivered in deferred shares that vest in equal tranches over one, two and three years[1].

All deferred STVR awards are subject to applicable Board (or ASB Board for CEO ASB) risk and reputation review prior to vesting. Please see page 103 for an overview of the treatment of deferred STVR awards on termination.
1 For the period they were Accountable Persons, deferred remuneration requirements under the BEAR were met for former Executives.
</td></tr>
</table>

STVR performance outcomes in the financial year ended 30 June 2019 – CEO

The Board's assessment of the CEO's performance in the 2019 financial year is outlined below.

Key:

● = Actual result

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

Measure	Weighting %		Threshold 50%	Target 100%		Above Expectations 150%	% of STVR target (100% of FR)	% of STVR maximum (150% of FR)	Commentary
Performance scorecard									
Financial/Shareholder									
Group cash NPAT	15%	●					0%	0%	Below threshold in Group cash NPAT (including discontinued operations) (Target:$10,134m, Actual: $8,706m).
Group underlying PACC	15%	●					0%	0%	Below threshold in Group underlying PACC (Target: $6,348m, Actual: $4,333m).
Customer									
NPS outcomes for consumer and business customers (six-month rolling)	5%	●					0%	0%	Consumer and Business NPS results were below target (Consumer Target +2, Actual -10, Business Target -15, Actual -22.4).
Complaints remediation	5%			●			5%	3%	• Personal leadership and focus on complaints management across the Group. • Strong progress on open aged complaints and external dispute resolution complaints.
People									
Group people measure results (culture, talent, diversity, safety and wellbeing)	10%				●		13%	8%	• Strong personal leadership and visibility in the organisation has contributed to restoring employee confidence and greater risk awareness. • Employee engagement levels stabilised in April 2019 survey in a challenging environment, and strong increase in employee connection with the Group's purpose was evidenced. • Executive Team refresh, including key talent in senior leader population (particularly Risk, Digital, and Information Security roles). • Zero non-conformance recorded in 2019 external Health and Safety self insurance audit.
Strategy									
Progress on and quality of implementation of the APRA RAP	30%			●			30%	20%	• Developed and implemented Better Risk Outcomes Program (BROP) to address APRA Prudential Inquiry Report recommendations and deliver on the RAP. • Independent reviewer, Promontory, assessed the RAP delivery "on track", with strong leadership support. As at 30 June 2019, 48% of milestones have been delivered in line with the schedule.
Progress on the delivery of Group Strategic Priorities (including shared priority dashboard)	20%				●		28%	19%	• Focused organic capital generation through performance and capital discipline. • Sale of Colonial First State Global Asset Management to MUFG Bank Ltd delivering significant value to the Group. • Better for You initiatives improved CBA brand sentiment. • Continued execution on complex divestment of Wealth business, including Colonial Mutual Life Assurance Society Limited. • New Group Regulatory Engagement Standard embedded, requiring more open and transparent approach to engaging with regulators. • Group-wide Simplification Program established to drive cost reduction and create capacity to invest in our core. • Industry-leading digital customer experience and security, with banking app rated best in the Australia and third best globally.
Overall STVR CEO outcome							**76%**	**50%**	
STVR modifiers									
Values				Exceptionally Demonstrated			No adjustment		• Extensive and positive engagement across a range of stakeholders (political, regulatory, customer and investor). • Led the establishment and embedding of new Purpose, Values, Code of Conduct and 'Should We'.
Risk and reputation				Partially Met			-10% reduction		• Reputational impacts arising from Royal Commission. • Substantial improvement in identification, management and governance of non-financial risk. • Strong progress on risk culture maturity, including through launch of Better Bank Leadership Program, however remains an ongoing focus.
Overall adjusted STVR CEO outcome							**68%**	**45%**	

STVR performance outcomes in the financial year ended 30 June 2019 – Executives

The following table provides the 2019 financial year STVR outcomes for Executives for the period they were KMP. The minimum potential outcome is zero.

	STVR target	STVR actual			STVR actual as a % of STVR target	STVR actual as a % of STVR maximum
		Total	Cash	Deferred		
	$	$	$	$	%	%
CEO						
Matt Comyn	2,200,000	1,494,900	747,450	747,450	68%	45%
Current Executives						
Adam Bennett	1,049,580	489,368	244,684	244,684	47%	31%
Pascal Boillat[1]	1,121,918	707,650	353,825	353,825	63%	42%
David Cohen[2]	1,200,000	696,436	348,218	348,218	58%	39%
Alan Docherty[3]	908,527	582,592	291,296	291,296	64%	46%
Andrew Hinchliff[1]	915,068	605,776	302,888	302,888	66%	44%
Anna Lenahan	865,000	554,681	332,809	221,872	64%	43%
Sian Lewis[1]	754,932	521,658	260,829	260,829	69%	46%
Vittoria Shortt[4]	1,406,141	1,567,962	940,777	627,185	112%	52%
Angus Sullivan	1,050,000	749,000	374,500	374,500	71%	48%
Nigel Williams[1]	709,110	553,638	276,819	276,819	78%	52%
Former Executives						
George Confos[5,6]	n/a	70,951	47,301	23,650	n/a	n/a
Coen Jonker[6]	462,861	299,008	179,405	119,603	65%	43%
Paul Newham[5,6]	245,753	188,002	112,801	75,201	n/a	77%
Michael Venter[5,6]	456,221	222,636	133,582	89,054	n/a	49%

[1] Newly appointed Executives' STVR awards reflects their time in the role. Pascal Boillat (1 October 2018 to 30 June 2019), Andrew Hinchliff (1 August 2018 to 30 June 2019), Sian Lewis (1 August 2018 to 30 June 2019) and Nigel Williams (5 November 2018 to 30 June 2019).

[2] David Cohen was appointed to the Deputy CEO role effective 5 November 2018. His STVR target reflects his time in both the Group CRO role (1 July 2018 to 4 November 2018) and Deputy CEO role (5 November 2018 to 30 June 2019).

[3] Alan Docherty was acting in the Group Executive, Financial Services and Chief Financial Officer role before being appointed to the role permanently effective 15 October 2018. The values in the table above reflects his time in both acting (1 July 2018 to 14 October 2018) and permanent (15 October 2018 to 30 June 2019) appointments. Note, while acting in the role, Alan's STVR maximum was 130% of base remuneration.

[4] As detailed on page 89, for the 2019 financial year Vittoria Shortt only participated in the STVR plan and was not eligible for LTVR. STVR target represents the reference value of 120% of base salary multiplied by ASB STVR pool multiplier at target (125%). From 1 July 2019, the CEO ASB's remuneration structure will more closely align to the Group Executives (including incorporation of a LTVR and reduction in STVR opportunity).

[5] Other Executives' STVR target shown above reflects their STVR maximum (excluding George Confos). Paul Newham's and Michael Venter's STVR maximum is 170% of base remuneration. George Confos' arrangement does not specify an STVR target and/or maximum.

[6] Former Executives' remuneration reflects their time in the KMP role. George Confos (1 July 2018 to 31 July 2018), Coen Jonker (1 July 2018 to 31 December 2018), Paul Newham (1 July 2018 to 30 September 2018) and Michael Venter (1 July 2018 to 2 December 2018).

Long term variable remuneration

2019 financial year LTVR award – key features

The table below outlines key features of the 2019 financial year LTVR for the CEO and Group Executives. Refer to page 103 for treatment of LTVR on cessation of employment.

Features	Approach
Purpose	To align participants with achievement of superior performance for key stakeholder groups – being customers, the community, our people and shareholders. The LTVR aims to support creation of sustainable long-term shareholder value, drive positive culture and engagement in the Group, and re-build trust with our customers and the community.
Participants	CEO and Group Executives.
Opportunity	The maximum face value of LTVR that can be granted for the CEO and Group Executives, excluding the Group CRO, is 180% of FR. The maximum face value of LTVR that can be granted for the Group CRO is 150% of FR. The minimum potential outcome value is zero.
Performance period	Four years from 1 July 2018 to 30 June 2022.
Instrument	Rights – each right entitles the participant to receive one CBA share, subject to meeting performance measures.
Allocation approach	Maximum face value allocation approach. The number of rights granted are calculated as follows for the CEO and Group Executives: FR (at time of grant) $ x 180%[1] ÷ Share price (no discount applied) $ = Number of rights Share price: The share price used was the Volume Weighted Average Price of CBA's ordinary shares over the five trading days up to 1 July 2018. 1 150% for the Group CRO
Dividend payments	No dividends or dividend equivalent payments are provided on rights.
Board discretion	The total LTVR award is subject to Board risk and reputation review prior to vesting, and can be reduced to zero. The Board has discretion to determine that some or all of the award will lapse in certain circumstances (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 • a significant unexpected or unintended consequence or outcome has occurred, including where original expected performance outcomes have not been realised.

<table>
<tr><th>Performance measures</th><th>Approach</th></tr>
<tr><td>
75% TSR (relative)
• TSR measures a company's share price movement, dividends paid and any return on capital over a specific period.
• Relative TSR compares the ranking of CBA TSR over the performance period with the TSR of other companies in a peer group.
Reason for selection: Provides a direct link between Executive reward and shareholder returns, for alignment with our shareholders.
</td><td>
<i>Peer group</i>
• 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[1].
• 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 valid benchmarks for measuring against the CBA's TSR.
<i>Vesting framework</i>
<table>
<tr><th>Peer group ranking</th><th>Vesting %</th></tr>
<tr><td>At the 75th percentile or higher</td><td>100%</td></tr>
<tr><td>Between the median and 75th percentile</td><td>Pro-rata vesting from 50% to 100%</td></tr>
<tr><td>At the median</td><td>50%</td></tr>
<tr><td>Below the median</td><td>0%</td></tr>
</table>
<i>Calculation of results</i>
Each company in the peer group will be given a percentile ranking based on the growth in its TSR over the four-year performance period.
TSR outcomes are calculated by an independent provider, Orient Capital.
</td></tr>
</table>

Performance measures | **Approach**

Subject to positive TSR gateway

12.5% Trust and reputation (relative)

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

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

Peer group

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

Vesting framework

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

Calculation of results

The opening pulse score for each company will be based on the average of the March, June and September 2018 surveys, while the closing pulse score will be based on the November 2021, March and June 2022 surveys.

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

12.5% Employee engagement (absolute)

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

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

Target setting

The target and stretch levels of performance have been set by the Board having regard for the IBM Kenexa gap closure method and global benchmark scores provided by IBM Kenexa, and CBA's EEI baseline relevant to the award. Executives will only be rewarded for achieving improvements in employee engagement.

Vesting framework

EEI score	Vesting %
80% or higher	100%
Between 75% and 80%	Pro-rata vesting from 50% to 100%
75%	50%
Below 75%	0%

Calculation of results

The surveys will be conducted by an independent provider who will facilitate and collate the EEI results. The change in the EEI scores between the March 2018 EEI score of 72% and the March 2022 score will be used to determine the level of vesting.

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

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

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

LTVR performance outcomes for the financial year ended 30 June 2019

The 2016 financial year LTVR award reached the end of its four-year performance period on 30 June 2019 and vested at 24.31%, with 75.69% of the LTVR award lapsing.

Performance measure	Percentage of award	Performance outcome	Vesting outcome
Relative TSR	75.32%	35th percentile ranking relative to TSR peer group	0%
Relative customer satisfaction[1]	24.68%	Average result by business over performance period: • retail main financial institution (MFI) customer satisfaction = 1.02 • wealth management customer satisfaction = 1.17 • business MFI customer satisfaction = 1.00 Total weighted average ranking = 1.03	98.50%

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

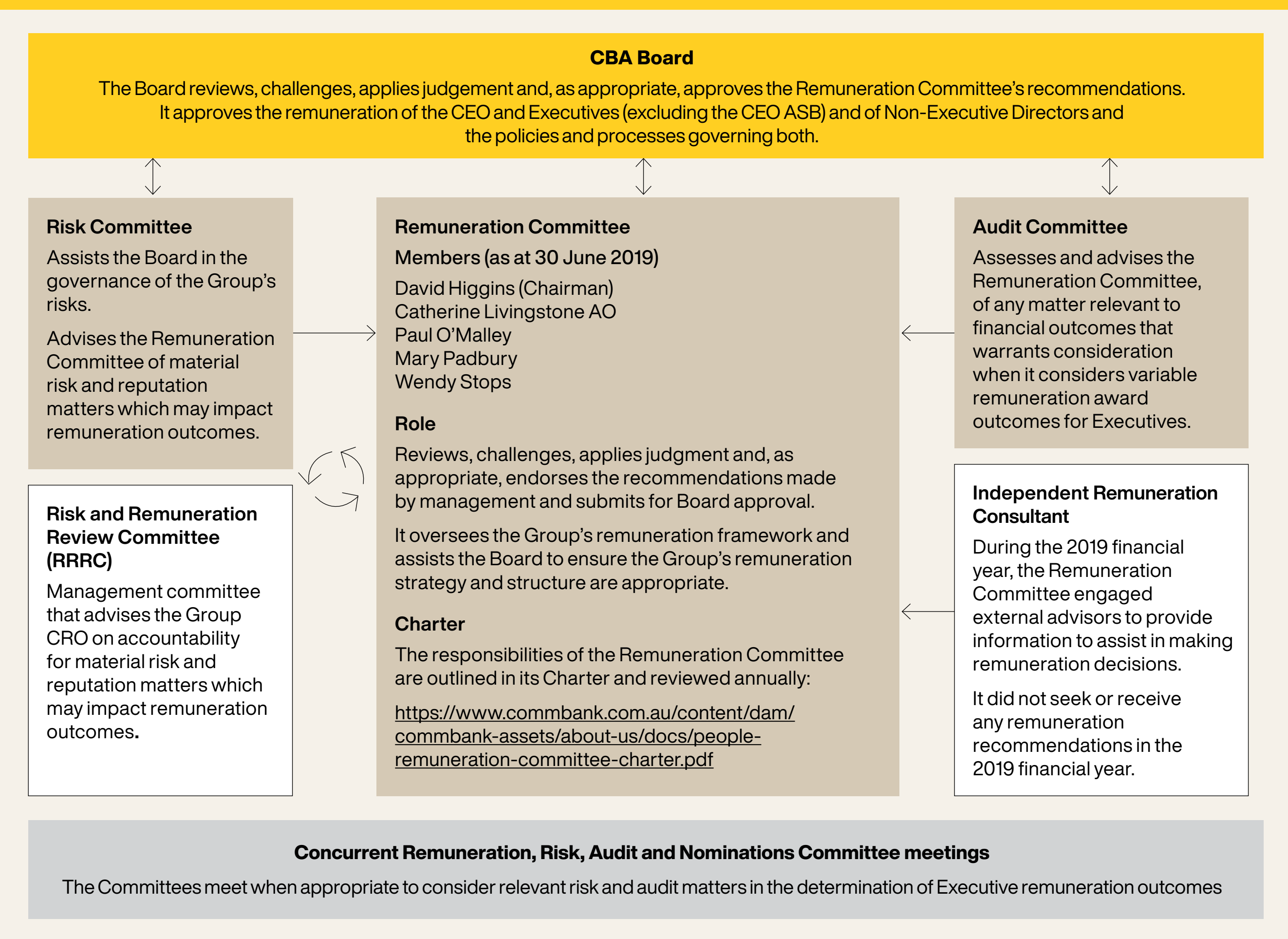
5. Remuneration governance

The Remuneration Committee is the governing body for developing, monitoring and assessing remuneration strategy, policies and practices across CBA on behalf of the Board. The Remuneration Committee met formally 10 times during the 2019 financial year.

As part of the performance and risk review, to support the determination of remuneration outcomes for the CEO and Executives (excluding the CEO ASB), the Remuneration Committee met with the Risk and Audit Committees in February 2019 and June 2019. These meetings provided an opportunity for the Committees to review and discuss relevant risk and audit matters, including appropriate variable remuneration consequences for the matters raised, and provide direct input into the determination of variable remuneration outcomes and any in-year or malus adjustments for the CEO and Executives (excluding CEO ASB) in the 2019 financial year.

Information provided to the Board Committees to support their determinations included risk scorecards, details of material risk and reputation matters, including outcomes of internal audit reviews conducted during the year and consideration of on the quality of financial results.

The following diagram illustrates CBA's remuneration governance framework.



CBA Board

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

Risk Committee

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

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

Risk and Remuneration Review Committee (RRRC)

Management committee that advises the Group CRO on accountability for material risk and reputation matters which may impact remuneration outcomes.

Remuneration Committee

Members (as at 30 June 2019)

David Higgins (Chairman)
Catherine Livingstone AO
Paul O'Malley
Mary Padbury
Wendy Stops

Role

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

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

Charter

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

https://www.commbank.com.au/content/dam/commbank-assets/about-us/docs/people-remuneration-committee-charter.pdf

Audit Committee

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

Independent Remuneration Consultant

During the 2019 financial year, the Remuneration Committee engaged external advisors to provide information to assist in making remuneration decisions.

It did not seek or receive any remuneration recommendations in the 2019 financial year.

Concurrent Remuneration, Risk, Audit and Nominations Committee meetings

The Committees meet when appropriate to consider relevant risk and audit matters in the determination of Executive remuneration outcomes

6. Executive statutory remuneration disclosures

Executive statutory remuneration

The following statutory table details the statutory accounting expense of all remuneration-related items for the Group's Executives. This includes remuneration costs in relation to both the 2018 and 2019 financial years. The tables are different from the remuneration outcomes table on page 86, which shows the remuneration received in the 2019 financial year rather than the accrual accounting amounts determined in accordance with the Australian Accounting Standards. The tables have been developed and audited against the relevant Australian Accounting Standards. Refer to the footnotes below each table for more detail on each remuneration component.

	FR[1]		Other short-term benefits			Long-term benefits		Share-based payments			
	Base remuneration[2] $	Superannuation $	Non-monetary[3] $	Cash STVR (at risk)[4] $	Other[5] $	Long-term[6] $	Deferred STVR (at risk)[7] $	Deferred equity (at risk)[8] $	LTVR equity (at risk)[9] $	Termination benefits $	Total statutory remuneration[10] $
CEO											
Matt Comyn											
30 Jun 19	**2,179,469**	**20,531**	**16,928**	**747,450**	**91,672**	**98,034**	**–**	**–**	**1,204,552**	**–**	**4,358,636**
30 Jun 18	1,292,075	23,874	15,726	–	266,686	198,599	–	–	1,162,327	–	2,959,287
Current Executives											
Adam Bennett											
30 Jun 19	**1,024,580**	**25,000**	**16,928**	**244,684**	**7,644**	**34,629**	**–**	**141,240**	**1,018,078**	**–**	**2,512,783**
30 Jun 18	1,024,580	25,000	16,911	225,988	5,293	58,981	–	51,962	974,726	–	2,383,441
Pascal Boillat											
30 Jun 19	**1,106,561**	**15,356**	**11,583**	**353,825**	**322,213**	**6,612**	**–**	**2,357,718**	**183,916**	**–**	**4,357,784**
David Cohen											
30 Jun 19	**1,177,914**	**22,086**	**16,928**	**348,218**	**26,087**	**38,147**	**–**	**163,350**	**1,133,049**	**–**	**2,925,779**
30 Jun 18	1,175,000	25,000	16,911	261,300	(40,808)	56,646	–	–	1,150,959	–	2,645,008
Alan Docherty											
30 Jun 19	**924,746**	**20,531**	**16,928**	**291,296**	**11,393**	**237,972**	**–**	**167,426**	**125,676**	**–**	**1,795,968**
30 Jun 18	95,994	2,637	2,270	51,966	6,791	4,018	–	23,222	–	–	186,898
Andrew Hinchliff[11]											
30 Jun 19	**896,281**	**18,788**	**15,520**	**302,888**	**84,714**	**33,247**	**–**	**331,132**	**122,606**	**–**	**1,805,176**
Anna Lenahan[12]											
30 Jun 19	**844,469**	**20,531**	**16,928**	**332,809**	**12,743**	**(10,285)**	**221,872**	**357,116**	**1,846,755**	**–**	**3,642,938**
30 Jun 18	844,951	20,049	16,911	249,120	49,351	6,993	–	533,239	440,478	–	2,161,092
Sian Lewis[11]											
30 Jun 19	**736,144**	**18,788**	**15,520**	**260,829**	**14,566**	**35,812**	**–**	**151,824**	**101,156**	**–**	**1,334,639**
Vittoria Shortt[11,13]											
30 Jun 19	**937,427**	**56,346**	**9,926**	**940,777**	**24,021**	**28,732**	**–**	**310,192**	**529**	**–**	**2,307,950**
30 Jun 18	497,554	14,863	9,913	97,424	(37,597)	(120,140)	97,424	33,852	2,113,398		2,706,691
Angus Sullivan											
30 Jun 19	**1,029,469**	**20,531**	**15,379**	**374,500**	**47,688**	**97,018**	**–**	**183,493**	**128,740**	**–**	**1,896,818**
30 Jun 18	109,224	5,685	3,586	78,641	8,480	2,168	–	61,180	–	–	268,964
Nigel Williams											
30 Jun 19	**932,092**	**13,388**	**11,162**	**276,819**	**178,338**	**5,604**	**–**	**2,117,055**	**148,148**	**–**	**3,682,606**
Former Executives											
George Confos[11]											
30 Jun 19	**67,606**	**2,123**	**1,407**	**47,301**	**6,505**	**1,588**	**–**	**24,668**	**–**	**–**	**151,198**
30 Jun 18	133,031	4,178	2,858	103,417	7,779	2,401	–	64,612	–	–	318,276
Coen Jonker[11,12,13]											
30 Jun 19	**461,243**	**1,618**	**–**	**179,405**	**149,469**	**–**	**119,603**	**330,150**	**464,383**	**807,820**	**2,513,691**
30 Jun 18	845,827	2,967	–	203,710	461,814	231,089	–	189,362	95,845	–	2,030,614
Melanie Laing[11,12]											
30 Jun 19	**71,079**	**2,123**	**–**	**–**	**7,036**	**(88,069)**	**–**	**–**	**1,325,679**	**487,149**	**1,804,997**
30 Jun 18	836,900	25,000	16,911	–	54,274	14,817	–	–	938,990	–	1,886,892
Paul Newham[11]											
30 Jun 19	**207,945**	**6,301**	**3,796**	**112,801**	**12,205**	**582**	**–**	**61,850**	**–**	**–**	**405,480**
30 Jun 18	137,877	4,178	2,612	92,879	3,033	1,516	–	50,603	–	–	292,698
Michael Venter[11]											
30 Jun 19	**268,365**	**10,616**	**6,396**	**133,582**	**22,121**	**3,336**	**–**	**111,426**	**–**	**–**	**555,842**
30 Jun 18	313,381	12,397	6,510	271,702	73,009	(9,953)	–	179,691	–	–	846,737

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 $28,223 payable on her cash STVR component). Superannuation contributions for Coen Jonker were made in line with Hong Kong Mandatory Provident Fund regulations.

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

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

4 For the CEO and Group Executives, 50% of the 2019 financial year STVR for performance during the 12 months to 30 June 2019 (payable in September 2019). For the Other Executives, two-thirds of the 2019 financial year STVR for performance during the 12 months to 30 June 2019 (payable in September 2019). For the CEO ASB, 60% of the 2019 financial year STVR for performance during the 12 months to 30 June 2019 (payable in August 2019). KiwiSaver is payable on cash STVR.

5 Includes company-funded benefits (including associated fringe benefits tax where applicable) and the net change in accrued annual leave. For Adam Bennett, this includes an adjustment to 2018 financial year accrued annual leave. For Coen Jonker this includes costs in relation to his Hong Kong assignment. For Pascal Boillat and Nigel Williams this includes costs in relation to relocation to Sydney. For Pascal Boillat, this also includes costs in relation to a housing allowance.

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

7 The deferred portion of the 2019 financial year STVR outcome for Anna Lenahan and Coen Jonker is deferred into cash over a two year period. The deferred portion of the 2018 financial year STVR outcome for Vittoria Shortt was also deferred into cash over a two year period.

8 2019 financial year expense for deferred STVR awarded under Group Executive and Executive General Manager arrangements, as well as sign-on and retention awards received as deferred rights and/or shares. 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 2019 financial year STVR will be expensed over the vesting period commencing 1 July 2019.

9 2019 financial year expense for the 2016, 2017, 2018 and 2019 financial year LTVR awards.

10 The percentage of 2019 financial year remuneration related to performance was: Matt Comyn 45%, Adam Bennett 56%, Pascal Boillat 12%, David Cohen 56%, Alan Docherty 33%, Andrew Hinchliff 42%, Anna Lenahan 66%, Sian Lewis 38%, Vittoria Shortt 54%, Angus Sullivan 36%, Nigel Williams 12%, George Confos 48%, Coen Jonker 44%, Melanie Laing 73%, Paul Newham 43% and Michael Venter 44%.

11 Remuneration reflects the individual's time in their respective KMP role(s). For Vittoria Shortt, prior year comparison reflects her previous role of Group Executive, Marketing and Strategy (for which she ceased as KMP on 2 February 2018).

12 The LTVR rights value for Anna Lenahan, Coen Jonker and Melanie Laing reflects the disclosable accruals for all previously granted LTVR awards that remain unvested following cessation of employment up to the end of each performance period. This means that up to three years of each unvested LTVR award expense has been brought forward and disclosed in total for the 2019 financial year, including those amounts which would otherwise have been included in future year disclosures and that may not vest. These LTVR awards remain on foot and will only vest subject to the achievement of the pre-determined performance conditions and Board risk and reputation review.

13 For Vittoria Shortt and Coen Jonker, remuneration was paid in New Zealand and Hong Kong dollars respectively and was impacted by movements in exchange rates.

Fair value assumptions for awards granted in the 2019 financial year

In the 2019 financial year a face value allocation approach was used to determine the number of rights granted under the LTVR (refer to page 99). The table below is provided in accordance with statutory requirements. The fair value has been calculated using a Monte Carlo simulation method using the assumptions below. The exercise price is nil across all LTVR awards.

The fair value of rights under the trust and reputation and employee engagement performance measures is higher than for the relative TSR performance measure. This is expected because the likelihood of achieving a positive TSR over the performance period (i.e. the gate opener that applies to the trust and reputation and employee engagement tranches) is greater than the likelihood of achieving a relative TSR ranking higher than the median across the peer group.

Equity plan	Performance measure	Grant date	Fair value $	Performance period end/final vesting date	Expected life (years)	Expected volatility %	Risk free rate %	Dividend yield %
FY19 LTVR rights	Relative TSR	12 Nov 18	33.57	30 Jun 22	3.63	15	2.29	5.83
	Trust and reputation (positive TSR gateway)	12 Nov 18	49.87	30 Jun 22	3.63	15	2.29	5.83
	Employee engagement (positive TSR gateway)	12 Nov 18	49.87	30 Jun 22	3.63	15	2.29	5.83
FY18 STVR Deferral[1]	Service	1 Sep 18	72.00	1 Sep 21	n/a	n/a	n/a	n/a
Sign-on Award – Pascal Boillat	Service	1 Oct 18	70.87	1 Mar 23	n/a	n/a	n/a	n/a
Sign-on Award – Nigel Williams	Service	5 Nov 18	68.52	22 Nov 21	n/a	n/a	n/a	n/a

1 For the Group Executive 2018 financial year STVR deferral, final vesting date will occur on 1 September 2020. For the Executive General Manager 2018 financial year STVR deferral, final vesting will occur on 1 September 2021.

Equity awards received as remuneration

The table below details the value and number of all equity awards that were granted, vested, forfeited or lapsed to Executives during their time in a KMP role in 2019 financial year. It also shows the number of previous years' awards that vested during the 2019 financial year – some of which relate to past non-KMP roles.

		Granted during 2019 financial year[2]		Awards vested during 2019 financial year[3]		Forfeited or lapsed during 2019 financial year[4]	
	Class[1]	**Units**	**$**	**Units**	**$**	**Units**	**$**
CEO							
Matt Comyn	LTVR reward rights	54,364	2,046,516	5,394	464,108	17,251	1,270,151
Current Executives							
Adam Bennett	LTVR reward rights	25,936	976,361	2,390	205,639	7,645	562,884
	Deferred STVR shares	3,139	226,008	–	–	–	–
	Deferred STVR rights	–	–	2,056	167,345	–	–
Pascal Boillat	LTVR reward rights	37,066	1,395,341	–	–	–	–
	Sign-on equity	82,660	5,858,114	14,879	1,052,765	–	–
David Cohen	LTVR reward rights	29,652	1,116,233	4,713	405,514	15,074	1,109,864
	Deferred STVR shares	3,630	261,360	–	–	–	–
Alan Docherty	LTVR reward rights	25,329	953,506	–	–	–	–
	Deferred STVR shares	2,745	197,640	–	–	–	–
	Deferred STVR rights	–	–	2,950	233,096	–	–
Andrew Hinchliff	LTVR reward rights	24,709	930,150	–	–	–	–
	Deferred STVR shares	6,019	433,368	–	–	–	–
	Deferred STVR rights	–	–	4,831	378,283	–	–
Anna Lenahan	LTVR reward rights	21,373	804,566	–	–	–	–
	Deferred STVR shares	3,460	249,120	–	–	–	–
	Sign-on equity	–	–	9,234	719,170	–	–
Sian Lewis	LTVR reward rights	20,386	767,423	–	–	–	–
	Deferred STVR shares	2,500	180,000	–	–	–	–
	Deferred STVR rights	–	–	2,848	223,942	–	–
Vittoria Shortt[5]	LTVR reward rights	–	–	1,468	126,309	4,692	345,461
	Deferred STVR rights	7,064	508,608	2,253	183,379	–	–
Angus Sullivan	LTVR reward rights	25,946	976,729	–	–	–	–
	Deferred STVR shares	2,402	172,944	–	–	–	–
	Deferred STVR rights	–	–	5,153	409,280	–	–
Nigel Williams	LTVR reward rights	29,858	1,123,996	–	–	–	–
	Sign-on equity	43,112	2,954,034	18,538	1,294,553	–	–
Former Executives							
George Confos	Deferred STVR shares	4,298	309,456	–	–	–	–
	Deferred STVR rights	–	–	7,786	619,619	–	–
Coen Jonker	Deferred STVR shares	2,960	213,120	–	–	–	–
	Deferred STVR rights	–	–	1,599	124,749	–	–
Melanie Laing	LTVR reward rights	–	–	4,425	380,734	14,153	1,042,053
Paul Newham	Deferred STVR shares	3,860	277,920	–	–	–	–
	Deferred STVR rights	–	–	6,158	490,144	–	–
Michael Venter	Deferred STVR shares	3,805	273,960	–	–	–	–
	Deferred STVR rights	–	–	6,262	524,970	–	–

1 Deferred STVR shares/rights represent STVR previously awarded under the Group Executive or Executive General Manager arrangements. Sign-on equity was awarded in the 2019 financial year in the form of deferred shares for Pascal Boillat and Nigel Williams, and deferred rights from prior years for Anna Lenahan.

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.

3 Awards that vested include the 2015 financial year LTVR award (granted 18 September 2014, except for Adam Bennett the grant date was 12 February 2015 and for Vittoria Shortt the grant date was 7 May 2015), deferred STVR awards (vested in full) (tranches granted 1 September 2015, 1 September 2016 and 1 September 2017) and sign-on shares/rights (granted 28 November 2016, 1 October 2018 and 5 November 2018) that vested during time in KMP role. The value of the awards vested is calculated using VWACP for the five days preceding the vesting date, and includes the value of dividends accrued over the vesting period.

4 This includes the portion of the 2015 financial year LTVR award (76.18%) that did not meet the performance hurdle and lapsed. The value of the lapsed award is calculated using the VWACP for the five days preceding the lapse date.

5 Vittoria Shortt's LTVR awards are in relation to her Group Executive role prior to her becoming the CEO ASB.

Overview of unvested equity awards

		Performance period/ vesting schedule		
Equity plan	**Grant date**	**Start date**	**End date**	**Performance measures/vesting conditions**
FY17 LTVR	22 Feb 17	1 Jul 16	30 Jun 20	Each award is split and tested: • 75% TSR ranking relative to peer group • 25% customer satisfaction average ranking relative to peer group. Subject to Board risk and reputation review and malus provisions.
FY18 LTVR	17 Nov 17	1 Jul 17	30 Jun 21	Each award is split and tested: • 75% TSR ranking relative to peer group • 12.5% trust and reputation (relative to peer group) and 12.5% employee engagement (both measures are subject to a positive TSR gateway). Subject to Board risk and reputation review and malus provisions.
FY19 LTVR	12 Nov 18	1 Jul 18	30 Jun 22	
FY18 STVR	1 Sep 18	1 Jul 17	30 Jun 18	Vesting to occur after 1 and 2 years, subject to: • Continued employment; • Board risk and reputation review; and • Malus provisions.
FY16 Executive General Manager STVR	1 Sep 16	1 Jul 15	30 Jun 16	Vesting to occur after 1, 2 and 3 years, subject to: • Continued employment; • Board risk and reputation review; and • Malus provisions.
FY17 Executive General Manager STVR	1 Sep 17	1 Jul 16	30 Jun 17	
FY18 Executive General Manager STVR	1 Sep 18	1 Jul 17	30 Jun 18	
Pascal Boillat sign-on equity	1 Oct 18	1 Apr 19	1 Mar 23	No performance measures. Subject to: • Continued employment; • Board risk and reputation review; and • Malus provisions.
Nigel Williams sign-on equity	5 Nov 18	1 Jan 19	22 Nov 21	

Shares and other securities held by Executives

Details of the shareholdings and other securities held by Executives (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned hold significant voting power) are set out below relating to time in KMP role.

	Class[1]	Balance 1 Jul 18	Acquired/ granted as remuneration	Awards vested during the 2019 financial year[2]	Net change other[3]	Balance 30 Jun 19
CEO						
Matt Comyn	Ordinary	50,003	–	5,394	–	55,397
	LTVR reward rights	89,229	54,364	(5,394)	(17,251)	120,948
Current Executives			–	–		
Adam Bennett	Ordinary	19,825	–	4,446	–	24,271
	LTVR reward rights	73,763	25,936	(2,390)	(7,645)	89,664
	Deferred STVR shares	–	3,139	–	–	3,139
	Deferred STVR rights	2,056	–	(2,056)	–	–
Pascal Boillat	Ordinary	n/a	–	14,879	(14,879)	–
	LTVR reward rights	n/a	37,066	–	–	37,066
	Sign-on equity	n/a	82,660	(14,879)	–	67,781
David Cohen	Ordinary	56,944	–	4,713	(5,776)	55,881
	LTVR reward rights	89,349	29,652	(4,713)	(15,074)	99,214
	Deferred STVR shares	–	3,630	–	–	3,630
Alan Docherty	Ordinary	2,192	–	2,950	–	5,142
	LTVR reward rights	–	25,329	–	–	25,329
	Deferred STVR shares	–	2,745	–	–	2,745
	Deferred STVR rights	5,209	–	(2,950)	–	2,259
Andrew Hinchliff	Ordinary	n/a	–	4,831	–	4,831
	LTVR reward rights	n/a	24,709	–	–	24,709
	Deferred STVR shares	n/a	6,019	–	–	6,019
	Deferred STVR rights	n/a	–	(4,831)	9,638	4,807
Anna Lenahan	Ordinary	13,852	–	9,234	(4,617)	18,469
	LTVR reward rights	36,911	21,373	–	–	58,284
	Deferred STVR shares	–	3,460	–	–	3,460
	Sign-on equity	9,234	–	(9,234)	–	–
	PERLS	2,000	–	–	(2,000)	–
Sian Lewis	Ordinary	n/a	–	2,848	88	2,936
	LTVR reward rights	n/a	20,386	–	–	20,386
	Deferred STVR shares	n/a	2,500	–	–	2,500
	Deferred STVR rights	n/a	–	(2,848)	5,382	2,534
Vittoria Shortt[4]	Ordinary	11,384	–	3,642	–	15,026
	LTVR reward rights	60,173	–	(1,468)	(4,692)	54,013
	Deferred STVR rights	2,253	7,064	(2,253)	–	7,064

	Class[1]	Balance 1 Jul 18	Acquired/ granted as remuneration	Awards vested during the 2019 financial year[2]	Net change other[3]	Balance 30 Jun 19
Angus Sullivan	Ordinary	4,316	–	5,153	–	9,469
	LTVR reward rights	–	25,946	–	–	25,946
	Deferred STVR shares	–	2,402	–	–	2,402
	Deferred STVR rights	8,419	–	(5,153)	–	3,266
Nigel Williams	Ordinary	n/a	–	18,538	–	18,538
	LTVR reward rights	n/a	29,858	–	–	29,858
	Sign-on equity	n/a	43,112	(18,538)	–	24,574
Former Executives						
George Confos	Ordinary	1,685	–	7,786	(8,636)	n/a
	Deferred STVR shares	–	4,298	–	–	n/a
	Deferred STVR rights	12,332	–	(7,786)	–	n/a
	PERLS	330	–	–	200	n/a
Coen Jonker	LTVR reward rights	18,658	–	–	–	n/a
	Deferred STVR shares	–	2,960	–	–	n/a
	Deferred STVR rights	4,164	–	(1,599)	–	n/a
Melanie Laing	Ordinary	63,490	–	4,425	(4,425)	n/a
	LTVR reward rights	72,238	–	(4,425)	(14,153)	n/a
Paul Newham	Ordinary	4,932	–	6,158	–	n/a
	Deferred STVR shares	–	3,860	–	–	n/a
	Deferred STVR rights	9,729	–	(6,158)	–	n/a
Michael Venter	Ordinary	–	–	1,270	(1,270)	n/a
	Deferred STVR shares	–	3,805	–	–	n/a
	Deferred STVR rights	10,191	–	(6,262)	–	n/a

1 Ordinary shares include all CBA shares held by the Executive's related parties. LTVR reward rights are subject to performance hurdles. Deferred rights/shares represent the deferred STVR awarded under Group Executive and Executive General Manager arrangements, sign-on and retention awards. Both LTVR rights and deferred rights/shares are unvested as at 30 June 2019. The maximum potential outcome for LTVR rights and deferred rights/shares is subject to CBA share price at time of vesting.

2 LTVR rights and deferred rights/shares become ordinary shares or cash equivalent upon vesting.

3 Net change other incorporates changes resulting from purchases, sales, forfeitures during the year and shares or rights held by an Executive prior to their appointment as KMP.

4 Vittoria Shortt's LTVR awards are in relation to her Group Executive role prior to her becoming the CEO ASB.

Executive employment arrangements

The table below provides the employment arrangements for current Executives.

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

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.

3 Contractual severance pay applies where employment is terminated due to redundancy.

7. Non-Executive Director arrangements

Non-Executive Director fees

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

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

The following table outlines the Non-Executive Directors fees for the Board and the Committees as at 30 June 2019.

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 Committee	65,000	32,500
Remuneration Committee	60,000	30,000
Nominations Committee	11,600	11,600
Due Diligence Committee[1]	4,000[2]	Nil

1 The Due Diligence Committee did not meet during the 2019 financial year.

2 Represents fees for each full day meeting.

Mandatory shareholding requirement

Non-Executive Directors are required to hold 5,000 or more CBA shares. For those Non-Executive Directors who have holdings below this threshold, 20% of their after-tax base fees are used to purchase CBA shares under the Non-Executive Directors' Share Plan (NEDSP) until a holding of 5,000 shares is reached. These shares are subject to a 10-year trading restriction (the shares will be released earlier if the Non-Executive Director leaves the Board).

The Non-Executive Directors' mandatory shareholding requirement was reviewed during the 2019 financial year. From 1 July 2019, Non-Executive Directors are required to hold CBA shares equivalent to 100% base fees for Non-Executive Directors and 100% of Chairman fees for the Chairman. This is to be accumulated over five years. Progress against the new requirement will be disclosed from the 2020 financial year.

Non-Executive Director statutory remuneration

The statutory table below details individual statutory remuneration for the Non-Executive Directors for both the 2019 and 2018 financial years.

	Short-term benefits	Post-employment benefits	Share-based payments	
	Cash[1] $	Superannuation[2] $	Non-Executive Directors' Share Plan[3] $	Total statutory remuneration $
Chairman				
Catherine Livingstone AO[4,5]				
30 Jun 19	**864,013**	**20,531**	**-**	**884,544**
30 Jun 18	749,201	20,049	-	769,250
Current Non-Executive Directors				
Shirish Apte[4,6]				
30 Jun 19	**349,010**	**20,531**	**-**	**369,541**
30 Jun 18	353,970	15,037	-	369,007
Genevieve Bell[7]				
30 Jun 19	**95,031**	**9,905**	**14,320**	**119,256**
David Higgins[4]				
30 Jun 19	**313,052**	**20,531**	**-**	**333,584**
30 Jun 18	246,570	20,049	-	266,619
Paul O'Malley[7]				
30 Jun 19	**112,266**	**10,099**	**-**	**122,365**
Mary Padbury[4,8]				
30 Jun 19	**236,674**	**20,531**	**25,618**	**282,823**
30 Jun 18	225,584	20,049	30,657	276,290
Wendy Stops[4]				
30 Jun 19	**287,028**	**20,531**	**-**	**307,559**
30 Jun 18	225,434	19,554	-	244,988
Anne Templeman-Jones[8,9]				
30 Jun 19	**271,568**	**20,531**	**30,136**	**322,235**
30 Jun 18	66,165	6,516	9,045	81,726
Robert Whitfield[8,9]				
30 Jun 19	**231,314**	**20,531**	**33,471**	**285,316**
30 Jun 18	184,703	16,567	26,945	228,215
Former Non-Executive Directors				
Brian Long[4,10]				
30 Jun 19	**161,242**	**10,266**	**-**	**171,508**
30 Jun 18	259,777	20,049	-	279,826
Andrew Mohl[4,10]				
30 Jun 19	**103,109**	**8,173**	**-**	**111,282**
30 Jun 18	223,073	19,650	-	242,723

[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.

[4] Base and committee fees for the 2018 financial year were reduced by an amount equivalent to 20% of individual 2017 financial year fees, reflecting collective accountability for the trust and reputational issues that promoted the need for the APRA Prudential Inquiry.

[5] For Catherine Livingstone, 2018 financial year cash fees have been adjusted to reflect the provision of car parking benefits (including associated fringe benefits tax).

[6] For Shirish Apte, 2018 financial year cash fees have been adjusted to reflect payments in relation to fringe benefits tax on additional benefits.

[7] Genevieve Bell and Paul O'Malley were appointed as Non-Executive Directors effective 1 January 2019 and their remuneration reflects time in the role.

[8] For Mary Padbury, Anne Templeman-Jones and Robert Whitfield the proportion between cash fees and NEDSP shares has been adjusted for the 2018 financial year.

[9] Anne Templeman-Jones was appointed as a Non-Executive Director effective 5 March 2018 and Robert Whitfield was appointed as a Non-Executive Director effective 4 September 2017. Their 2018 financial year remuneration reflects time in the role.

[10] Brian Long and Andrew Mohl retired from their Non-Executive Director roles effective 31 December 2018 and 7 November 2018 respectively and their remuneration reflects time in the role.

Shares and other securities held by Non-Executive Directors

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

	Class	Balance 1 Jul 18	Acquired[1]	Net change other[2]	Balance 30 Jun 19
Chairman					
Catherine Livingstone AO	Ordinary	5,337	2,000	–	7,337
Current Non-Executive Directors					
Shirish Apte	Ordinary	7,500	–	–	7,500
Genevieve Bell	Ordinary	n/a	141	–	141
	PERLS[4]	n/a	–	–	1,020
David Higgins	Ordinary	10,878	–	–	10,878
	PERLS[4]	150	–	–	150
Paul O'Malley	Ordinary	n/a	5,330	–	5,330
Mary Padbury	Ordinary	834	445	–	1,279
	PERLS[4]	1,600	–	–	1,600
Wendy Stops	Ordinary	16,000	–	–	16,000
Anne Templeman-Jones	Ordinary	358	680	–	1,038
Robert Whitfield	Ordinary	309	549	–	858
Former Non-Executive Directors					
Brian Long[3]	Ordinary	14,956	–	–	n/a
	PERLS[4]	6,850	–	–	n/a
Andrew Mohl[3]	Ordinary	82,234	–	–	n/a

1 Incorporates shares and other securities acquired during the year. In the 2019 financial year, under the Non-Executive Directors' Share Plan, Genevieve Bell received 141 shares, Mary Padbury received 376 shares, Anne Templeman-Jones received 427 shares and Robert Whitfield received 480 shares.

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

3 Brian Long and Andrew Mohl retired from the Group effective 31 December 2018 and 7 November 2018 respectively and their shareholding balance as at 30 June 2019 is not included.

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

8. Loans and other transactions

Loans to KMP

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

Total loans to KMP

	30 Jun 19 $
Opening Balance	17,681,018
Closing Balance[1]	12,376,700
Interest Charged	480,435

[1] The aggregate loan amount at the end of the reporting period includes loans issued to 12 KMP.

Loans to KMP exceeding $100,000 in aggregate during the 2019 financial year

	Balance 1 Jul 18 $	Interest charged $	Interest not charged $	Write-off $	Balance 30 Jun 19 $	Highest balance in period[1] $
Adam Bennett	18,464	3,540	–	–	1,011,887	1,038,577
David Cohen	451,334	12,909	–	–	43,481	490,188
Alan Docherty	1,580,187	57,044	–	–	1,447,903	1,587,312
Andrew Hinchliff	n/a	1,699	–	–	44,368	121,287
Sian Lewis	n/a	29,733	–	–	775,808	836,187
Paul Newham	4,008,128	70,311	–	–	n/a	4,176,522
Vittoria Shortt	4,736,951	15,476	–	–	3,327,450	5,889,636
Angus Sullivan	5,639,759	239,781	–	–	5,652,632	5,866,364
Michael Venter	1,185,195	41,333	–	–	n/a	1,206,891
Total	**17,620,018**	**471,826**	**–**	**–**	**12,303,529**	**21,212,964**

[1] Represents the sum of highest balances outstanding at any point during the 2019 financial year for each individual loan held by the KMP.

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.

Non-Audit Services

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

	2019 $'000
Taxation services	1,395
Other services	7,915
Total non-audit services[1]	**9,310**
Total audit and audit related services	**34,698**

[1] An additional amount of $2,975,730 was paid to PwC for non-audit services provided to entities not consolidated into the Financial Statements.

Auditor's Independence Declaration

We have obtained an independence declaration from our external auditor as presented on page 108.

Auditor Independence

The Group has an External Auditor Services Policy to assist in ensuring the independence of the Group's external auditor.

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

The Audit Committee recommended that it was satisfied that the provision of the non-audit services by PwC during the year was compatible with the general standard of independence imposed by the *Corporations Act 2001 (Cth)*.

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

- The operation of the 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.

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

Incorporation of Additional Material

This Report incorporates the Strategic report (pages 2 – 39) including the Chairman's and CEO's messages, Financial performance (pages 40 – 49), Risk management (pages 50 – 63), Corporate governance (pages 64 – 75), *Shareholder information* (pages 286 – 291) and the *Environmental, customer, social and governance metrics* (pages 297 – 306) sections of this Annual Report.

C.B. Livingstone

Catherine Livingstone AO
Chairman

7 August 2019

Matt Comyn
Managing Director and Chief Executive Officer

7 August 2019

Auditor's Independence Declaration

As lead auditor for the audit of the Commonwealth Bank of Australia for the year ended 30 June 2019, 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 period.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
7 August 2019

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Income statements

For the year ended 30 June 2019

		Group (1) (2) (3)			**Bank** (2) (3)	
	Note	**30 Jun 19 $M**	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Interest income:						
Effective interest income	2.1	**34,089**	33,643	32,705	**32,960**	32,531
Other	2.1	**499**	501	490	**499**	465
Interest expense	2.1	**(16,468)**	(15,802)	(15,649)	**(17,405)**	(16,585)
Net interest income		**18,120**	18,342	17,546	**16,054**	16,411
Other banking income	2.3	**4,994**	5,423	5,721	**6,044**	7,365
Net banking operating income		**23,114**	23,765	23,267	**22,098**	23,776
Net funds management operating income	2.3	**1,073**	1,124	1,038	**-**	-
Net insurance operating income	2.3	**150**	241	178	**-**	-
Total net operating income before impairment and operating expenses		**24,337**	25,130	24,483	**22,098**	23,776
Loan impairment expense	3.2	**(1,201)**	(1,079)	(1,095)	**(1,058)**	(963)
Operating expenses	2.4	**(11,373)**	(11,029)	(10,133)	**(10,633)**	(10,703)
Net profit before income tax		**11,763**	13,022	13,255	**10,407**	12,110
Income tax expense	2.5	**(3,391)**	(3,952)	(3,784)	**(2,624)**	(3,235)
Net profit after income tax from continuing operations		**8,372**	9,070	9,471	**7,783**	8,875
Non-controlling interests in net profit after income tax from continuing operations		**(12)**	(13)	(13)	**-**	-
Net profit attributable to equity holders of the Bank from continuing operations		**8,360**	9,057	9,458	**7,783**	8,875
Net profit after tax from discontinued operations		**218**	278	481	**-**	-
Non-controlling interests in net profit after income tax from discontinued operations		**(7)**	(6)	(11)	**-**	-
Net profit attributable to equity holders of the Bank		**8,571**	9,329	9,928	**7,783**	8,875

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
	30 Jun 19	30 Jun 18 Cents per share	30 Jun 17
Earnings per share from continuing operations: (1)			
Basic	**473. 7**	518. 8	549. 9
Diluted	**457. 5**	503. 2	532. 9
Earnings per share:			
Basic	**485. 6**	534. 3	577. 3
Diluted	**468. 6**	517. 7	558. 8

(1) Information has been restated and presented on a continuing operations basis. For details on the Group's discontinued operations refer to Note 11.3.

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

(3) Current year amounts reflect the adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. As permitted by AASB 9 and AASB 15 comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15 refer to Note 1.1.

Statements of comprehensive income

For the year ended 30 June 2019

	Group [1] [2]			**Bank** [2]	
	30 Jun 19	30 Jun 18	30 Jun 17	**30 Jun 19**	30 Jun 18
	$M	$M	$M	**$M**	$M
Net profit after income tax for the period from continuing operations	**8,372**	9,070	9,471	**7,783**	8,875
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit/(loss):					
Foreign currency translation reserve net of tax	**457**	(12)	(256)	**214**	53
Gains/(losses) on cash flow hedging instruments net of tax	**947**	(53)	(577)	**1,003**	4
Gains/(losses) on debt investment securities at fair value through other comprehensive income net of tax	**103**	-	-	**(5)**	-
Losses on available-for-sale investments net of tax	**-**	(68)	(52)	**-**	(34)
Total of items that may be reclassified	**1,507**	(133)	(885)	**1,212**	23
Items that will not be reclassified to profit/(loss):					
Actuarial (losses)/gains from defined benefit superannuation plans net of tax	**(49)**	161	175	**(50)**	159
Losses on liabilities at fair value due to changes in own credit risk net of tax	**-**	(2)	(3)	**-**	(2)
Losses on equity investment securities at fair value through other comprehensive income net of tax	**(6)**	-	-	**(1)**	-
Revaluation of properties net of tax	**34**	31	23	**33**	29
Total of items that will not be reclassified	**(21)**	190	195	**(18)**	186
Other comprehensive income/(expense) net of income tax from continuing operations	**1,486**	57	(690)	**1,194**	209
Total comprehensive income for the period from continuing operations	**9,858**	9,127	8,781	**8,977**	9,084
Net profit after income tax for the period from discontinued operations	**218**	278	481	**-**	-
Other comprehensive income/(expense) for the period from discontinued operations net of income tax [3]	**14**	(6)	(29)	**-**	-
Total comprehensive income for the period	**10,090**	9,399	9,233	**8,977**	9,084
Total comprehensive income for the period is attributable to:					
Equity holders of the Bank	**10,071**	9,380	9,209	**8,977**	9,084
Non-controlling interests	**19**	19	24	**-**	-
Total comprehensive income net of tax	**10,090**	9,399	9,233	**8,977**	9,084

(1) Information has been restated and presented on a continuing operations basis. For details on the Group's discontinued operations refer to Note 11.3.

(2) Current year amounts reflect the adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. As permitted by AASB 9 and AASB 15 comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15 refer to Note 1.1.

(3) Includes $7 million gain on foreign currency translation net of tax (30 June 2018: $3 million gain; 30 June 2017: $29 million loss) and $7 million gain on revaluation of debt investment securities measured at fair value through other comprehensive income net of tax. The year ended 30 June 2018 includes $9 million loss on revaluation of available-for-sale investments net of tax.

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

				Group
		30 Jun 19	30 Jun 18	30 Jun 17
	Note		Cents per share	
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	8.4	**431**	431	429

Balance sheets

As at 30 June 2019

		Group (1) (2) (3)		Bank (1) (3)	
		30 Jun 19	30 Jun 18	**30 Jun 19**	30 Jun 18
Assets	Note	**$M**	$M	**$M**	$M
Cash and liquid assets	5.1	**29,387**	36,417	**26,912**	33,581
Receivables due from other financial institutions		**8,093**	9,222	**7,334**	8,376
Assets at fair value through Income Statement:					
Trading	5.2	**32,506**	32,254	**32,476**	29,993
Insurance	5.2	**-**	372	**-**	-
Other	5.2	**1,171**	258	**652**	-
Derivative assets	5.3	**25,215**	32,133	**24,311**	30,885
Investment securities:					
At amortised cost	5.4	**7,355**	-	**7,349**	-
At fair value through other comprehensive income	5.4	**78,912**	-	**73,212**	-
Available-for-sale investments	5.4	**-**	82,240	**-**	77,731
Loans, bills discounted and other receivables	3.1	**755,141**	743,365	**660,476**	656,650
Bank acceptances of customers		**32**	379	**32**	379
Shares in and loans to controlled entities	11.2	**-**	-	**120,193**	118,252
Property, plant and equipment		**2,383**	2,576	**1,389**	1,460
Investments in associates and joint ventures	11.1	**3,001**	2,842	**1,017**	1,118
Intangible assets	6.1	**7,965**	9,090	**4,317**	4,466
Deferred tax assets	2.5	**1,675**	1,439	**1,570**	1,430
Other assets	6.2	**7,115**	6,924	**5,910**	6,212
Assets held for sale	11.3	**16,551**	15,654	**1**	19
Total assets		**976,502**	975,165	**967,151**	970,552
Liabilities					
Deposits and other public borrowings	4.1	**636,040**	622,234	**573,851**	566,200
Payables due to other financial institutions		**23,370**	20,899	**22,618**	20,014
Liabilities at fair value through Income Statement	4.2	**8,520**	10,247	**7,961**	9,106
Derivative liabilities	5.3	**22,777**	28,472	**26,654**	30,871
Bank acceptances		**32**	379	**32**	379
Due to controlled entities		**-**	-	**105,774**	105,327
Current tax liabilities		**326**	952	**129**	796
Other provisions	7.1	**2,751**	1,860	**2,337**	1,561
Insurance policy liabilities		**-**	451	**-**	-
Debt issues	4.3	**163,990**	172,294	**131,062**	139,984
Bills payable and other liabilities	7.2	**10,285**	11,625	**9,040**	10,145
Liabilities held for sale	11.3	**15,796**	14,900	**-**	-
		883,887	884,313	**879,458**	884,383
Loan capital	8.2	**22,966**	22,992	**22,569**	22,249
Total liabilities		**906,853**	907,305	**902,027**	906,632
Net assets		**69,649**	67,860	**65,124**	63,920
Shareholders' Equity					
Ordinary share capital	8.3	**38,020**	37,270	**38,212**	37,533
Reserves	8.3	**3,092**	1,676	**3,813**	2,568
Retained profits	8.3	**28,482**	28,360	**23,099**	23,819
Shareholders' Equity attributable to equity holders of the Bank		**69,594**	67,306	**65,124**	63,920
Non-controlling interests	11.1	**55**	554	**-**	-
Total Shareholders' Equity		**69,649**	67,860	**65,124**	63,920

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

(2) Current year balances have been impacted by the announced sale of CFSGAM, PT Commonwealth Life, Count Financial and completed sales of Sovereign and TymeDigital SA. For details on the Group's discontinued operations, refer to Note 11.3.

(3) Current year balances reflect the adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. As permitted by AASB 9 and AASB 15 comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15 refer to Note 1.1.

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

Statements of changes in equity

For the year ended 30 June 2019

	Ordinary share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Group Total Shareholders' Equity $M
As at 30 June 2017	34,971	1,869	26,274	**63,114**	546	**63,660**
Net profit after income tax from continuing operations (1)	-	-	9,057	**9,057**	13	**9,070**
Net profit after income tax from discontinued operations (1)	-	-	272	**272**	6	**278**
Net other comprehensive income from continuing operations (1)	-	(102)	159	**57**	-	**57**
Net other comprehensive income from discontinued operations (1)	-	(6)	-	**(6)**	-	**(6)**
Total comprehensive income for the period	-	(108)	9,488	**9,380**	19	**9,399**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(7,484)	**(7,484)**	-	**(7,484)**
Dividend reinvestment plan (net of issue costs)	2,105	-	-	**2,105**	-	**2,105**
Issue of shares (net of issue costs)	164	-	-	**164**	-	**164**
Share-based payments	-	(19)	-	**(19)**	-	**(19)**
Purchase of treasury shares	(95)	-	-	**(95)**	-	**(95)**
Sale and vesting of treasury shares	125	-	-	**125**	-	**125**
Other changes	-	(66)	82	**16**	(11)	**5**
As at 30 June 2018	37,270	1,676	28,360	**67,306**	554	**67,860**
Change on adoption of new accounting standards (3)	-	-	(955)	**(955)**	-	**(955)**
Restated opening balance	37,270	1,676	27,405	**66,351**	554	**66,905**
Net profit after income tax from continuing operations	-	-	8,360	**8,360**	12	**8,372**
Net profit after income tax from discontinued operations	-	-	211	**211**	7	**218**
Net other comprehensive income from continuing operations	-	1,535	(49)	**1,486**	-	**1,486**
Net other comprehensive income from discontinued operations	-	14	-	**14**	-	**14**
Total comprehensive income for the period	-	1,549	8,522	**10,071**	19	**10,090**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(7,606)	**(7,606)**	-	**(7,606)**
Dividend reinvestment plan (net of issue costs)	748	-	-	**748**	-	**748**
Issue of shares (net of issue costs)	-	-	-	**-**	-	**-**
Share-based payments	-	16	-	**16**	-	**16**
Purchase of treasury shares	(93)	-	-	**(93)**	-	**(93)**
Sale and vesting of treasury shares	95	-	-	**95**	-	**95**
Other changes	-	(149)	161	**12**	(518)	**(506)**
As at 30 June 2019	38,020	3,092	28,482	**69,594**	55	**69,649**

(1) Information has been restated to reflect reclassification of CFSGAM and PT Commonwealth Life as discontinued operations during the current year.

(2) Current year and prior year include discontinued operations.

(3) The Group adopted AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. The carrying amounts of assets and liabilities impacted by the adoption were adjusted through opening retained profits and reserves on 1 July 2018 as if the Group has always applied the new requirements. As permitted by AASB 9 and AASB 15, comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15, refer to Note 1.1.

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

Statements of changes in equity (continued)

For the year ended 30 June 2019

				Bank
	Ordinary share capital $M	**Reserves $M**	**Retained profits $M**	**Total Shareholders' Equity $M**
As at 30 June 2017	35,262	2,556	22,256	60,074
Net profit after income tax from continuing operations	-	-	8,875	8,875
Net other comprehensive income from continuing operations	-	52	157	209
Total comprehensive income for the period	-	52	9,032	9,084
Transactions with Equity holders in their capacity as Equity holders:				
Dividends paid on ordinary shares	-	-	(7,484)	(7,484)
Dividend reinvestment plan (net of issue costs)	2,107	-	-	2,107
Issue of shares (net of issue costs)	164	-	-	164
Share-based payments	-	(25)	-	(25)
Other changes	-	(15)	15	-
As at 30 June 2018	37,533	2,568	23,819	63,920
Change on adoption of new accounting standards (1)	-	-	(868)	(868)
Restated opening balance	37,533	2,568	22,951	63,052
Net profit after income tax from continuing operations	-	-	7,783	7,783
Net other comprehensive income from continuing operations	-	1,244	(50)	1,194
Total comprehensive income for the period	-	1,244	7,733	8,977
Transactions with Equity holders in their capacity as Equity holders:				
Dividends paid on ordinary shares	-	-	(7,606)	(7,606)
Dividend reinvestment plan (net of issue costs)	748	-	-	748
Issue of shares (net of issue costs)	-	-	-	-
Share-based payments	-	22	-	22
Purchase of treasury shares	(69)	-	-	(69)
Other changes	-	(21)	21	-
As at 30 June 2019	38,212	3,813	23,099	65,124

(1) The Bank adopted AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. The carrying amounts of assets and liabilities impacted by the adoption were adjusted through opening retained profits and reserves on 1 July 2018 as if the Bank has always applied the new requirements. As permitted by AASB 9 and AASB 15, comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15 refer to Note 1.1.

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 2019

		Group (1) (2)			**Bank (1) (2)**	
	Note	**30 Jun 19 $M**	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Cash flows from operating activities						
Interest received		**34,757**	35,801	33,536	**32,366**	34,679
Interest paid		**(15,695)**	(15,356)	(15,006)	**(16,743)**	(16,100)
Other operating income received		**5,808**	6,181	5,556	**3,971**	4,217
Expenses paid		**(10,784)**	(10,340)	(9,763)	**(9,693)**	(8,739)
Income taxes paid		**(4,878)**	(4,791)	(3,976)	**(4,453)**	(3,892)
Net inflows from assets at fair value through Income Statement (excluding life insurance)		**2,482**	5,270	4,220	**6,915**	7,185
Net inflows/(outflows) from liabilities at fair value through Income Statement:						
Insurance:						
Investment income		**340**	225	186	**-**	-
Premiums received (3)		**2,414**	3,241	3,366	**-**	-
Policy payments and commission expense (3)		**(3,061)**	(3,453)	(3,854)	**-**	-
Other liabilities at fair value through Income Statement		**126**	(208)	156	**(410)**	12
Cash flows from operating activities before changes in operating assets and liabilities		**11,509**	16,570	14,421	**11,953**	17,362
Changes in operating assets and liabilities arising from cash flow movements						
Movement in investment securities:						
Purchases		**(41,925)**	-	-	**(39,020)**	-
Proceeds		**43,239**	-	-	**39,556**	-
Movement in available-for-sale investments:						
Purchases		**-**	(51,783)	(54,608)	**-**	(50,501)
Proceeds		**-**	52,832	49,392	**-**	51,673
Net increase in loans, bills discounted and other receivables		**(9,465)**	(16,105)	(38,744)	**(4,585)**	(10,420)
Net decrease in receivables due from other financial institutions and regulatory authorities		**1,345**	884	1,100	**1,210**	583
Net decrease/(increase) in securities purchased under agreements to resell		**930**	9,258	(13,993)	**933**	9,723
Insurance business:						
Purchase of insurance assets at fair value through Income Statement		**(1,383)**	(1,594)	(1,789)	**-**	-
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**2,512**	2,671	3,152	**-**	-
Net decrease/(increase) in other assets		**525**	(11)	(174)	**524**	(35)
Net increase/(decrease) in deposits and other public borrowings		**4,891**	(876)	39,821	**1,949**	(4,984)
Net increase/(decrease) in payables due to other financial institutions		**2,154**	(8,279)	666	**2,319**	(8,451)
Net increase/(decrease) in securities sold under agreements to repurchase		**4,402**	(1,574)	(853)	**4,408**	(1,695)
Net (decrease)/increase in other liabilities		**(648)**	(884)	802	**(137)**	(1,664)
Changes in operating assets and liabilities arising from cash flow movements		**6,577**	(15,461)	(15,228)	**7,157**	(15,771)
Net cash provided by/(used in) operating activities	12.3 (a)	**18,086**	1,109	(807)	**19,110**	1,591

(1) It should be noted that the Group does not use these accounting Statements of Cash Flows in the internal management of its liquidity positions.
(2) Includes discontinued operations. For the cash flows from discontinued operations refer to Note 11.3.
(3) Represents gross premiums and policy payments before splitting between policyholders and shareholders.

Statements of cash flows (continued)

For the year ended 30 June 2019

		Group (1) (2)			Bank (1) (2)	
	Note	**30 Jun 19 $M**	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Cash flows from investing activities						
Cash inflows/(outflows) from acquisitions		**-**	26	(31)	**-**	-
Net proceeds from disposal of entities and businesses (net of cash disposals)		**1,259**	-	1	**-**	-
Dividends received		**141**	68	94	**1,473**	2,085
Net amounts received from controlled entities (3)		**-**	-	-	**(1,906)**	(2,993)
Proceeds from sale of property, plant and equipment		**151**	155	381	**89**	42
Purchases of property, plant and equipment		**(326)**	(477)	(602)	**(271)**	(321)
Net cash flows from sales/(acquisitions) of associates/joint ventures		**72**	(271)	(25)	**29**	-
Net purchase of intangible assets		**(314)**	(503)	(495)	**(597)**	(405)
Net cash (used in)/provided by investing activities		**983**	(1,002)	(677)	**(1,183)**	(1,592)
Cash flows from financing activities						
Dividends paid (excluding Dividend Reinvestment Plan)		**(6,853)**	(5,366)	(6,084)	**(6,853)**	(5,364)
Redemption of other equity instruments (net of costs)		**(505)**	-	-	**-**	-
Proceeds from issuance of debt securities		**56,448**	68,273	94,560	**46,685**	57,708
Redemption of issued debt securities		**(73,747)**	(67,809)	(81,758)	**(63,343)**	(56,692)
Purchase of treasury shares		**(93)**	(95)	(92)	**(69)**	-
Sale of treasury shares		**22**	55	34	**-**	-
Issue of loan capital		**1,579**	4,445	3,757	**1,571**	4,436
Redemption of loan capital		**(2,637)**	(464)	-	**(2,263)**	(467)
Proceeds from issuance of shares (net of issue costs)		**-**	-	(6)	**-**	-
Other		**47**	27	61	**(70)**	36
Net cash (used in)/provided by financing activities		**(25,739)**	(934)	10,472	**(24,342)**	(343)
Net (decrease)/increase in cash and cash equivalents		**(6,670)**	(827)	8,988	**(6,415)**	(344)
Effect of foreign exchange rates on cash and cash equivalents		**675**	715	(318)	**598**	746
Cash and cash equivalents at beginning of year		**23,005**	23,117	14,447	**21,351**	20,949
Cash and cash equivalents at end of year	12.3 (b)	**17,010**	23,005	23,117	**15,534**	21,351

(1) It should be noted that the Group does not use these accounting Statements of Cash Flows in the internal management of its liquidity positions.
(2) Includes discontinued operations. For the cash flows from discontinued operations refer to Note 11.3.
(3) Amounts received from and paid to controlled entities are presented in line with how they are managed and settled.

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

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 2019, was approved and authorised for issue by the Board of Directors on 7 August 2019. 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 21 September 2017, the Group entered into an agreement to sell 100% of its life insurance businesses in Australia (CommInsure Life) and New Zealand (Sovereign) to AIA Group Limited (AIA). The sale of Sovereign completed on 2 July 2018. The sale of CommInsure Life remains subject to completion of the transfer of the Group's stake in BoCommLife Insurance Company Limited (BoCommLife) out of CommInsure Life and its associated Chinese regulatory approvals.

The Group and AIA remain fully committed to completing the CommInsure Life transaction. The Group and AIA are also well progressed in exploring an alternative path to complete the CommInsure Life transaction prior to the transfer of the Group's stake in BoCommLife. The alternative path is expected to be subject only to Australian regulatory approvals. The Group expects to be able to provide further details of this alternative path by the end of the first quarter of the financial year 2020, if the sale of BoCommLife has not substantially progressed in that timeframe.

On 23 May 2018, the Group announced the sale of its 37.5% equity interest in BoCommLife to Mitsui Sumitomo Insurance Co. Ltd (MSI). The sale of BoCommLife is subject to Chinese regulatory approvals and is the final condition precedent for the sale of CommInsure Life. The sale of BoCommLife is expected to be completed in the second half of the calendar year 2019.

On 25 June 2018, the Group announced its intention to demerge its wealth management and mortgage broking businesses, and undertake a strategic review of its general insurance business, including a potential sale. On 14 March 2019, the Group announced suspension of its preparation for the demerger in order to focus on the implementation of Royal Commission recommendations, refunding customers and remediating past issues.

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). As part of the sale, CBA's Indonesian banking subsidiary, PT Bank Commonwealth (PTBC), will enter into a 15 year life insurance distribution partnership with FWD. The sale is subject to regulatory approvals in Indonesia and is now expected to complete in the second half of calendar year 2019.

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 completed on 2 August 2019.

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 (ARC).

On 13 June 2019, the Group announced the sale of its 100% interest in Count Financial Limited (Count Financial) to CountPlus Limited (CountPlus). Completion is expected to occur in October 2019.

CommInsure Life, Sovereign, BoCommLife, CFSGAM, PTCL and TymeDigital SA have been classified as discontinued operations in the Group's financial statements for the year ended 30 June 2019. The assets and liabilities of Count Financial are classified as held for sale as at 30 June 2019.

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;
- 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;
- contains accounting policies that have been consistently applied to all periods presented, unless otherwise stated.

1.1 General information, basis of accounting, changes in accounting policies (continued)

Change 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 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

In line with the Group's commitment to becoming a simpler, better bank, a number of changes to the Group's operating model have been made during the year:

- The General Insurance business has been placed under strategic review and moved to be part of Retail Banking Services, while the review is underway;
- The Small Business banking segment has been transferred out of Retail Banking Services to Business and Private Banking in order to consolidate the Group's business banking operations; and
- Bankwest and Commonwealth Financial Planning have been consolidated into Retail Banking Services, aligning all retail businesses within one division.

The comparative information has been restated.

Change in accounting policies

AASB 9 'Financial Instruments'

The Group adopted AASB 9 Classification and Measurement, and Impairment requirements and amendments in AASB 2017-6 related to prepayment features on 1 July 2018. The Group has elected an accounting policy choice in AASB 9 to retain AASB 139 hedge accounting requirements. The Group can commence applying AASB 9 hedging at the beginning of any future reporting period.

AASB 9 Classification and Measurement and Impairment requirements have been applied on a retrospective basis. The Group has adjusted the carrying amounts of financial instruments impacted by the adoption of AASB 9 through opening retained profits and reserves on 1 July 2018 as if it has always applied the new requirements. As permitted by AASB 9, the Group has not restated the comparative period financial statements.

The key changes to the Group's accounting policies and resultant impacts from the adoption of AASB 9 are described below.

Impairment

AASB 9 introduced an expected credit loss (ECL) impairment model which differs significantly from the incurred loss approach under AASB 139. The ECL model is forward looking and does not require evidence of an actual loss event for impairment provisions to be recognised.

The implementation of AASB 9 required management to make a number of judgements and assumptions and has had a significant impact on the Group's impairment provisioning methodology. A description of the key components of the Group's AASB 9 impairment methodology is provided below.

Expected credit loss (ECL) model

The ECL model applies to all financial assets measured at amortised cost, debt securities measured at fair value through other comprehensive income, 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, financial assets recognise an impairment provision equivalent to 12 months ECL. 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 recognise an impairment provision equivalent to lifetime ECL. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to 12 months ECL.
- *Stage 3 – Lifetime ECL – Non-performing Loans*
  Financial assets in default recognise a provision equivalent to lifetime ECL. This includes assets that are considered credit impaired as well as assets that are considered to be in default but are not credit impaired.

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 expected credit losses.

Interest revenue is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying value net of impairment provisions for financial assets in Stage 3.

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.

1.1 General information, basis of accounting, changes in accounting policies (continued)

AASB 9 ‘Financial Instruments’ (continued)

Significant increase in credit risk (SICR) (continued)

The Group has developed a Retail Masterscale for use 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 have been defined for each significant portfolio.

The assessment of significant increase in credit risk includes the impact of forward looking 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 65% of Stage 2 exposures for the Group and the Bank as at 30 June 2019.

The Group also uses secondary SICR indicators as backstops in combination with the primary SICR indicator, including:

- Arrears status;
- A retail exposure entering a financial hardship status; and
- 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.

Definition of default, credit impaired assets and write-offs

The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Group in full, or the exposure is 90 days past due.

Facilities are classified as credit 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.

ECL measurement

ECL is a probability weighted expected credit loss estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

The Group uses the following AASB 9 collective provisioning models in calculating ECL:

- *Retail lending*: Personal Loans model, Credit Cards model, Home Loans model, Retail SME model;
- *Non-retail lending:* Corporate Risk rated model, Asset Finance model.

For each significant portfolio ECL is calculated as a product of the following credit risk factors at a facility level:

- *Probability of default (PD*): The likelihood that a debtor will be unable to pay its obligations in full without having to take actions such as realising on security or that the debtor will become 90 days overdue on obligation or contractual commitment;
- *Exposure at default (EAD):* Expected balance sheet exposure at default. The Group generally calculates EAD as the higher of the drawn balance and total credit limit, except for the credit cards portfolio, for which EAD calculation also takes into account the probability of unused limits being drawn down; and
- *Loss given default (LGD):* The amount that is not expected to be recovered following default.

Secured retail exposures with expected loss in excess of $20,000 and defaulted non-retail exposures that are not well secured are assessed for impairment through an Individually Assessed Provisions (IAP) process. Impairment provisions on these exposures are calculated directly as the difference between the defaulted asset’s carrying value and the present value of expected future cash flows including cash flows from realisation of collateral, where applicable.

Forward-looking information

Credit risk factors of PD and LGD used in ECL calculation are point-in-time estimates based on current conditions and adjusted to include the impact of multiple probability-weighted future forecast economic scenarios.

Forward looking PD and LGD factors are modelled for each significant portfolio based on macro-economic factors that are most closely correlated with credit losses in the relevant portfolios. Each of the four scenarios (refer below) includes a forecast of relevant macro-economic variables which differ by portfolio:

- *Retail portfolios:* Cash rate, unemployment rate, GDP per capita and House price index.
- *Non-retail lending:* Unemployment rate, business investment index, ASX 200 and the AUD/USD exchange rate.

New Zealand equivalents of a subset of the above macro-economic variables are used for retail credit exposures originated in New Zealand.

The Group uses the following four alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- *Central scenario:* This scenario considers the Group’s base case assumptions used in business planning and forecasting. This scenario considers continued growth in GDP per capita, investment, the share market and the labour market supported by exchange rates and interest rate reductions over the short term. House prices see further modest declines from currently observed levels;

1.1 General information, basis of accounting, changes in accounting policies (continued)

AASB 9 'Financial Instruments' (continued)

Forward-looking information (continued)

- *Upside and Downside scenarios:* These scenarios are set relative to the Central scenario and based on macro-economic conditions which would lead to the lowest/highest impairment losses expected over an approximate 10 year economic cycle. Under the Upside scenario the economy strengthens from current state where several metrics, including house prices, return to above average growth and the central bank increases interest rates in the next year. The Downside scenario represents a deterioration from current state where the economy observes moderate declines across most metrics, including further house prices declines, as well as additional decreases in official interest rates; and
- *Severe Downside scenario:* This scenario has been included to account for a potentially severe impact of less likely, extremely adverse macro-economic conditions which would lead to the highest impairment losses expected over a longer horizon such as a 30 year economic cycle. Under this scenario the economy sees a significant deterioration from current state. The scenario contemplates a breakdown in typical economic relationships reflected by significant declines in GDP per capita, investment, house prices and the share market as well as increases in unemployment, interest rates and exchange rates.

Weights are assigned to each scenario based on management's best estimate of the proportion of potential future loss events that each scenario represents. The same economic scenarios and probability weights apply across all portfolios. The Group's assessment of SICR also incorporates the impact of multiple probability-weighted future forecast economic scenarios on exposures' internal risk grades using the same four forecast macro-economic scenarios as described above.

In estimating impairment provisions on individually significant defaulted exposures, the Group generally applies conservative assumptions in estimating recovery cash flows. Incorporating multiple forecast economic scenarios in estimates is not expected to significantly effect the level of impairment provisions on these credit exposures.

Lifetime of an exposure

For exposures in Stage 2 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.

Incorporation of experienced credit judgement

Management exercises credit judgement in assessing if an exposure has experienced SICR and in determining the amount of impairment provisions at each reporting date. Where applicable, model adjustments are made to incorporate reasonable and supportable information about known or expected risks that have not been considered in the modelling process. This includes but is not limited to information about emerging risks at an industry, geographical location or a particular portfolio segment level.

Governance

The Group's Loan Loss Provisioning Committee (LLPC) is responsible for approving forecast economic scenarios and their associated weights. In addition, LLPC is responsible for approving all model adjustments including those required to account for situations where all relevant information has not been considered in the modelling process. The Group's provisions for impairment, loan impairment expense and any areas of judgement are reported to the Group's Board Audit Committee.

Classification and measurement

Under AASB 9, the classification and subsequent measurement of financial assets depends on:

- the business model within which the financial assets are managed; and
- the contractual cash flow characteristics of the asset, that is, whether the cash flows represent 'solely payments of principal and interest' (SPPI).

Business model assessment

The business model reflects how the Group manages financial assets in order to generate returns. This is assessed at the level which best reflects the manner in which risk and returns are managed, and information is provided to management. The factors considered in determining the business model include:

- how the financial assets' performance is evaluated and reported to management;
- how the risks within the portfolio are assessed and managed; and
- the frequency, volume, timing for past sales, sales expectations in future periods, and the reasons for such sales.

Assessment of whether contractual cash flows meet the SPPI test

In making the assessment of whether the contractual cash flows have SPPI characteristics, the Group considers whether the cash flows represent solely the payment of principal and interest. Principal is the fair value of the financial asset on initial recognition. Interest typically comprises compensation for the time value of money, credit risk and other basic lending costs, such as liquidity risk and administrative costs. Where the contractual terms include exposure to risk or volatility that is inconsistent with a basic lending arrangement, the cash flows would not be considered to be SPPI and the assets would be measured at fair value through profit or loss.

1.1 General information, basis of accounting, changes in accounting policies (continued)

AASB 9 'Financial Instruments' (continued)

Assessment of whether contractual cash flows meet the SPPI test (continued)

In making the assessment, the Group considers contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements), and features that modify consideration of the time value of money.

The Group is required to differentiate between financial asset debt instruments and financial asset equity instruments.

Financial assets – debt instruments

There are three classification models for financial asset debt instruments under AASB 9:

- *Amortised cost* – Financial assets are classified within this measurement category if they are held within a portfolio whose primary objective is the collection of contractual cash flows, where the contractual cash flows on the instrument are SPPI, and that are not designated at fair value through profit or loss.
- *Fair value through other comprehensive income (FVOCI)* – This classification applies to financial assets which meet the SPPI test, and are held within a portfolio whose objectives include both the collection of contractual cash flows and the selling of financial assets. These financial assets are subsequently measured at fair value with movements in the fair value recognised in other comprehensive income, with the exception of interest income, ECL and foreign exchange gains and losses that are recognised within profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the income statement.
- *Fair value through profit or loss (FVTPL)* – Financial assets that do not meet the criteria for classification as amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise.

Financial assets – equity instruments

AASB 9 requires equity instruments to be measured at FVTPL but permits non-traded equity investments to be designated at FVOCI on an instrument by instrument basis. Gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, the gains or losses may be reclassified within equity. These instruments are not subject to impairment assessment.

Financial liabilities

The Group adopted the AASB 9 requirement to recognise changes in the fair value of financial liabilities designated at fair value through the Income Statement that are attributable to changes in own credit risk in other comprehensive income on 1 January 2014. There were no other changes to the classification and measurement of financial liabilities as a result of adoption of AASB 9.

Refer to Note 12.6 for the accounting policies that applied to financial instruments for comparative periods.

AASB 15 'Revenue from contracts with customers'

On 1 July 2018, the Group adopted AASB 15 'Revenue from Contracts with Customers', replacing the previous standard, AASB 118 'Revenue'. Under AASB 118, revenue was recognised when risks and rewards transferred from the seller to the buyer. AASB 15 has introduced a single, principle-based five-step recognition and measurement model for revenue recognition. The five steps are:

1. Identify the contract with a customer;
2. Identify the separate performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to each performance obligation identified in Step 2; and
5. Recognise revenue when a performance obligation is satisfied.

Where there is variable consideration in calculating a transaction price, revenue will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur. AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases.

The Group has used the modified retrospective approach in adopting AASB 15 which recognises the cumulative effect of initial application through opening retained earnings as at 1 July 2018. The Group has not restated the comparative period financial statements. The modified retrospective approach applied to contracts not completed at 30 June 2018.

The significant changes to the Group as a result of adopting AASB 15 are:

- *Trail commissions:* Certain trail commission income and expenses that were previously recognised over time by the Group, are recognised at the start of a contract when the performance obligation has been met. This has resulted in the Group recognising the net present value of expected future trail commission income and expenses. For investment referral services, the Group is unable to forecast the trail commission revenue in line with the highly probable test in AASB 15. Therefore trail commission revenue and expenses on investment referral balances are recognised when received or paid; and
- *Upfront fees:* Certain fees in relation to lending, lease and guarantees arrangements are no longer recognised upfront but when the performance obligation to the customer is delivered, which is generally over the life of these contractual arrangements. Where the performance obligation is the Group providing a loan, lease arrangement or guarantee over a contractual period, these fees previously recognised upfront are amortised over the expected life of the contracts. This has also resulted in a reclassification of the fees from other banking income to interest income.

Refer to Note 12.6 for the accounting policies that applied to revenue recognition for comparative periods.

1.1 General information, basis of accounting, changes in accounting policies (continued)

Impacts of adopting AASB 9 and AASB 15

The tables below summarise the adjustments arising on adoption of AASB 9 and AASB 15. The adjustments have been recognised against the Group's and the Bank's opening retained profits and reserves as at 1 July 2018.

		AASB 9 Classification and Measurement					AASB 9 Impairment	AASB 15 Revenue		Group
Assets	**30 Jun 18 $M**	**High Quality Liquid Assets (HQLAs) $M**	**NZD Liquid Assets $M**	**Non-Traded Equities $M**	**Loans with Embedded Features $M**	**NZD Certificates of Deposit $M**	**$M**	**Trail Commission $M**	**Upfront Fees $M**	**1 Jul 18 $M**
Assets at fair value through Income Statement	**32,884**	-	(2,148)	235	65	-	-	-	-	**31,036**
Derivative assets	**32,133**	-	-	-	(56)	-	-	-	-	**32,077**
Available-for-sale investments	**82,240**	(78,145)	(3,797)	(298)	-	-	-	-	-	**-**
Investment securities										
At amortised cost	**-**	7,121	-	-	-	-	-	-	-	**7,121**
At fair value through OCI	**-**	71,020	5,945	63	-	-	-	-	-	**77,028**
Loans, bills discounted and other receivables	**743,365**	-	-	-	(10)	-	(968)	-	(151)	**742,236**
Intangible assets	**9,090**	-	-	-	-	-	-	(72)	-	**9,018**
Deferred tax assets	**1,439**	1	-	-	-	-	299	64	72	**1,875**
Other assets	**6,924**	-	-	-	-	-	(10)	351	(8)	**7,257**
Other financial and non-financial assets	**67,090**	-	-	-	-	-	-	-	-	**67,090**
Total assets	**975,165**	(3)	-	-	(1)	-	(679)	343	(87)	**974,738**
Liabilities										
Deposits and other public borrowings	**622,234**	-	-	-	-	1,141	-	-	-	**623,375**
Liabilities at fair value through Income Statement	**10,247**	-	-	-	-	(1,141)	-	-	-	**9,106**
Derivative liabilities	**28,472**	-	-	-	(1)	-	-	-	-	**28,471**
Deferred tax liabilities	**-**	-	-	-	-	-	2	102	(3)	**101**
Other provisions	**1,860**	-	-	-	-	-	87	-	-	**1,947**
Bills payable and other liabilities	**11,625**	-	-	-	-	-	-	223	118	**11,966**
Other financial and non-financial liabilities	**232,867**	-	-	-	-	-	-	-	-	**232,867**
Total liabilities	**907,305**	-	-	-	(1)	-	89	325	115	**907,833**
Shareholders' Equity										
Share capital	**37,270**	-	-	-	-	-	-	-	-	**37,270**
Reserves	**1,676**	(3)	-	-	-	-	3	-	-	**1,676**
Retained profits	**28,360**	-	-	-	-	-	(771)	18	(202)	**27,405**
Non-controlling interest	**554**	-	-	-	-	-	-	-	-	**554**
Total Shareholders' equity	**67,860**	(3)	-	-	-	-	(768)	18	(202)	**66,905**

1.1 General information, basis of accounting, changes in accounting policies (continued)

Impacts of adopting AASB 9 and AASB 15 (continued)

		AASB 9 Classification and Measurement			AASB 9 Impairment	AASB 15 Revenue		Bank
Assets	30 Jun 18 $M	High Quality Liquid Assets (HQLAs) $M	Non-Traded Equities $M	Loans with Embedded Features $M	$M	Trail Commission $M	Upfront Fees $M	1 Jul 18 $M
Assets at fair value through Income Statement	**29,993**	-	-	65	-	-	-	**30,058**
Derivative assets	**30,885**	-	-	(56)	-	-	-	**30,829**
Available-for-sale investments	**77,731**	(77,686)	(45)	-	-	-	-	**-**
Investment securities:								
At amortised cost	**-**	7,121	-	-	-	-	-	**7,121**
At fair value through OCI	**-**	70,561	45	-	-	-	-	**70,606**
Loans, bills discounted and other receivables	**656,650**	-	-	(10)	(895)	-	(134)	**655,611**
Shares in and loans to controlled entities	**118,252**	-	-	-	(23)	-	-	**118,229**
Deferred tax assets	**1,430**	1	-	-	279	-	74	**1,784**
Other assets	**6,212**	-	-	-	(7)	91	-	**6,296**
Other financial and non-financial assets	**49,399**	-	-	-	-	-	-	**49,399**
Total assets	**970,552**	(3)	-	(1)	(646)	91	(60)	**969,933**
Liabilities								
Derivative liabilities	**30,871**	-	-	(1)	-	-	-	**30,870**
Due to controlled entities	**105,327**	-	-	-	-	-	16	**105,343**
Deferred tax liabilities	**-**	-	-	-	-	27	-	**27**
Other provisions	**1,561**	-	-	-	84	-	-	**1,645**
Bills payable and other liabilities	**10,145**	-	-	-	-	-	124	**10,269**
Other financial and non-financial liabilities	**758,728**	-	-	-	-	-	-	**758,728**
Total liabilities	**906,632**	-	-	(1)	84	27	140	**906,882**
Shareholders' Equity								
Share capital	**37,533**	-	-	-	-	-	-	**37,533**
Reserves	**2,568**	(3)	-	-	2	-	-	**2,567**
Retained profits	**23,819**	-	-	-	(732)	64	(200)	**22,951**
Total Shareholders' equity	**63,920**	(3)	-	-	(730)	64	(200)	**63,051**

1.1 General information, basis of accounting, changes in accounting policies (continued)

Adoption of AASB 9 classification and measurement

High Quality Liquid Assets (HQLA): under AASB 139, $78,145 million of the Group's HQLA were included in Available-for-Sale investments (Bank: $77,686 million). $7,121 million of the Group's HQLA (Bank: $7,121 million) previously included in Available-for-Sale assets were held within the business model held to collect and have been reclassified to Investment securities at amortised cost under AASB 9. These financial assets have been restated to amortised cost and $4 million of unrealised gains (before tax) previously recognised by the Group (Bank: $4 million unrealised gain) in the Available-for-Sale revaluation reserve have been reversed against the carrying value of the assets on 1 July 2018. This also led to a reversal of the deferred tax previously recognised in relation to unrealised gains on these securities through reserves. The Group's deferred tax asset has increased by $1 million (Bank: $1 million increase) and the reserves have decreased by $3 million (Bank: $3 million decrease).

$71,020 million of the Group's HQLA (Bank: $70,561 million) previously included in Available-for-Sale assets were held within the business model held to collect and sell and have been reclassified to Investment securities at FVOCI under AASB 9. The reclassification did not have an impact on retained profits or reserves.

The fair value of HQLA reclassified from Available-for-Sale Investments to Investment Securities at amortised cost on adoption of AASB 9 and held as at 30 June 2019 was $5,316 million. The fair value loss that would have been recognised on these securities in Other comprehensive Income as at 30 June 2019 was $9 million.

NZD liquid assets: under AASB 139, $3,797 million of the Group's NZD liquid assets were included in Available-for-Sale investments with the remaining $2,148 million measured at FVTPL. These financial assets were held within the business model held to collect and sell and have been reclassified to Investment securities at FVOCI under AASB 9. The reclassification did not have a material impact on retained profits or reserves.

As at 30 June 2019, the Group did not hold any of the NZD liquid assets reclassified from Assets at FVTPL to Investment securities at FVOCI on adoption of AASB 9. The average interest rate on these instruments on 1 July 2018 was 1.91% and the interest income recognised for the year ended 30 June 2019 was $7 million.

Non-traded equity instruments: the Group had $298 million of non-traded equity instruments included in Available-for-sale investment under AASB 139 (Bank: $45 million). One of the Group's equity securities of $235 million was reclassified to Assets at FVTPL under AASB 9. The Group's remaining $63 million (Bank: $45 million) of equity securities have been reclassified to Investment securities at FVOCI under AASB 9. The reclassifications did not have a material impact on retained profits or reserves.

Loans with embedded derivatives: the Group and the Bank issued loans with embedded derivative features. Under AASB 139, the embedded derivatives were bifurcated and accounted for as standalone derivatives at FVTPL; the host loan contracts were measured at amortised cost and included in Loans, bills discounted and other receivables on the Balance sheet. The contractual cash flows on these instruments are not solely payments of principal and interest and they have been reclassified to Assets at FVTPL together with the related embedded derivative features. The reclassification did not have an impact on retained profits.

NZD Certificate of Deposits (CD): Under AASB 9, $1,141 million of the Group's NZD CDs have been reclassified from liabilities at FVTPL to liabilities at amortised cost, as the CDs are not held for trading. The reclassification did not have a material impact on retained profits or reserves.

As at 30 June 2019, the Group did not hold any of NZD CDs reclassified from liabilities at FVTPL to liabilities at amortised cost on adoption of AASB 9. The average interest rate on these instruments on 1 July 2018 was 2.0% and the interest expense recognised for the year ended 30 June 2019 was $3 million.

Adoption of AASB 9 Impairment

The adoption of AASB 9 impairment requirements resulted in a $1,058 million increase in the Group's collective provisions (Bank: $1,004 million increase). This includes $968 million for loans, bills discounted and other receivables, $87 million for off-balance sheet instruments (recognised in other provisions), $3 million for investment securities at FVOCI (recognised in reserves) (Bank: $895 million for loans, bills discounted and other receivables, $23 million for loans to controlled entities, $84 million for off-balance sheet instruments and $2 million for investment securities at FVOCI). In addition, the Group recognised a $10 million provision in relation to non-lending assets that are not in scope of AASB 9 collective provisioning models (Bank: $7 million). The transition resulted in a $299 million increase in the Group's deferred tax assets (Bank: $279 million increase), a $2 million increase in deferred tax liabilities (Bank: nil) and a corresponding $771 million decrease in retained profits (Bank: $732 million decrease) as at 1 July 2018.

The increase in impairment provisions was mostly driven by the AASB 9 requirement to hold provisions equivalent to lifetime expected losses for all loans that have experienced a significant increase in credit risk since origination and the impact of forward looking factors on expected credit losses estimates.

1.1 General information, basis of accounting, changes in accounting policies (continued)

Adoption of AASB 9 Impairment (continued)

The following tables provide a reconciliation between provisions for impairment under AASB 139 as at 30 June 2018 and provisions for impairment determined in accordance with AASB 9 on 1 July 2018 for the Group and the Bank:

				Group
Financial assets under AASB 9	**Previous measurement category under AASB 139**	**Provision for impairment under AASB 139**	**Remeasure-ment**	**Impairment provision under AASB 9**
Investment securities:				
At amortised cost	Available-for-sale	-	-	-
At fair value through other comprehensive income (1)	Available-for-sale	-	3	3
Loans, bills discounted and other receivables (2)	Amortised cost	3,605	968	4,573
Financial guarantees and other off-balance sheet items		28	87	115
Total		**3,633**	**1,058**	**4,691**

(1) Impairment losses in relation to Investment securities at fair value through Other Comprehensive Income are recognised in Other Comprehensive Income and are not included in total impairment provisions.

(2) Under AASB 9, Loans, bills discounted and other receivables are measured at amortised cost.

				Bank
Financial assets under AASB 9	**Previous measurement category under AASB 139**	**Provision for impairment under AASB 139**	**Remeasure-ment**	**Impairment provision under AASB 9**
Investment securities:				
At amortised cost	Available-for-sale	-	-	-
At fair value through other comprehensive income (1)	Available-for-sale	-	2	2
Loans, bills discounted and other receivables (2)	Amortised cost	3,261	895	4,156
Loans to controlled entities (2)	Amortised cost	-	23	23
Financial guarantees and other off-balance sheet items		28	84	112
Total		**3,289**	**1,004**	**4,293**

(1) Impairment losses in relation to Investment securities at fair value through Other Comprehensive Income are recognised in Other Comprehensive Income and are not included in total impairment provisions.

(2) Under AASB 9, Loans, bills discounted and other receivables, and Loans to controlled entities are measured at amortised cost.

1.1 General information, basis of accounting, changes in accounting policies (continued)

Adoption of AASB 9 Impairment (continued)

The table below presents the Group's total impairment provisions on lending assets by ECL stage as at 1 July 2018.

					Group 1 Jul 18
	Impairment provisions, $M				
Portfolio (1)	**Stage 1 12 months ECL Collectively assessed**	**Stage 2 Lifetime ECL Collectively assessed**	**Stage 3 Lifetime ECL Collectively assessed**	**Stage 3 Lifetime ECL Individually assessed**	**Total**
Retail					
Secured lending	206	410	113	253	**982**
Unsecured lending	525	847	233	3	**1,608**
Total retail	731	1,257	346	256	**2,590**
Non-retail					
Corporate and business lending, bank and sovereign entities (2)	145	1,268	74	614	**2,101**
Total	**876**	**2,525**	**420**	**870**	**4,691**

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees and debt securities classified at fair value through OCI.
(2) Stage 1 provision includes $3 million ECL in relation to investment securities at fair value through OCI.

The table below presents the Bank's total impairment provisions on lending assets (excluding loans to controlled entities) by ECL stage as at 1 July 2018.

					Bank 1 Jul 18
	Impairment provisions, $M				
Portfolio (1) (2)	**Stage 1 12 months ECL Collectively assessed**	**Stage 2 Lifetime ECL Collectively assessed**	**Stage 3 Lifetime ECL Collectively assessed**	**Stage 3 Lifetime ECL Individually assessed**	**Total**
Retail					
Secured lending	174	372	105	236	**887**
Unsecured lending	482	818	219	3	**1,522**
Total retail	656	1,190	324	239	**2,409**
Non-retail					
Corporate and business lending, bank and sovereign entities (3)	129	1,123	69	540	**1,861**
Total	**785**	**2,313**	**393**	**779**	**4,270**

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees and debt securities classified at fair value through OCI.
(2) Impairment provisions exclude $23 million recognised in relation to the Bank's loans to controlled entities.
(3) Stage 1 provision includes $2 million ECL in relation to investment securities at fair value through OCI.

1.1 General information, basis of accounting, changes in accounting policies (continued)

Adoption of AASB 15

Trail Commission: The Group's Other assets and Bills payable and other liabilities have increased by $351 million and $223 million, respectively, to reflect the recognition of trail commission receivable and payable across various arrangements across the Group (Bank: $91 million increase in Other Assets). This reflects the upfront recognition of certain future trail commission income and expenses when a performance obligation has been met, such as when a new customer is introduced into a product. This change also led to a $72 million decrease in the Group's goodwill on the acquisition of Aussie Home Loans, a $64 million and $102 million increase in deferred tax assets and deferred tax liabilities, respectively (Bank: $27 million increase in deferred tax liability). The impact of this change on the Group's retained profits as at 1 July 2018 was an increase of $18 million (Bank: an increase of $64 million).

Upfront fees: Upfront fees in relation to lending and guarantee arrangements are no longer recognised upfront. Instead, income is recognised over the life of the contractual arrangements. Establishment fees on financing facilities are deferred on the Group's and the Bank's Balance Sheets in Loans, bills discounted and other receivables, and amortised to interest income over the expected life of the loan in accordance with AASB 9. From 1 July 2018, this has also resulted in a reclassification of income from other banking income to interest income. In addition, other annual fees are deferred on the Balance Sheet in Bills payable and other liabilities when received and recognised in other banking income on a straight-line basis throughout the year. The impact for the Group as at 1 July 2018 includes a reduction in Loans, bills discounted and other receivables of $151 million (Bank: $134 million reduction), a reduction in Other assets of $8 million (Bank: $ nil), and an increase in Bills payable and other liabilities of $118 million (Bank: $124 million increase). It has also led to a $16 million increase in the Bank's balances Due to controlled entities. The deferral of upfront fees from existing customer contracts resulted in a one-off increase in the Group's deferred tax assets of $72 million (Bank: $74 million) and a decrease in deferred tax liabilities of $3 million (Bank: $ nil). The impact of this change on the Group's retained profits as at 1 July 2018 was a reduction of $202 million (Bank: $200 million).

2. Our performance

Overview

The Group earns its returns from providing a broad range of banking and wealth management 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.

The Performance section provides details of the main contributors to the Group's returns and analysis of its financial performance by business segments and geographical regions.

2.1 Net interest income

	Group (1) (2) (3)			Bank (2) (3)	
	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Interest Income					
Effective interest income:					
Loans and bills discounted	**31,449**	31,315	30,628	**27,744**	27,861
Other financial institutions	**181**	140	149	**171**	121
Cash and liquid assets	**572**	459	321	**528**	427
Investment securities:					
At amortised cost	**199**	-	-	**199**	-
At fair value through Other Comprehensive Income	**1,688**	-	-	**1,559**	-
Available-for-sale investments	**-**	1,729	1,607	**-**	1,639
Controlled entities	**-**	-	-	**2,759**	2,483
Total effective interest income	**34,089**	33,643	32,705	**32,960**	32,531
Other:					
Assets at fair value through Income Statement	**499**	501	490	**499**	465
Total interest income	**34,588**	34,144	33,195	**33,459**	32,996
Interest Expense					
Deposits	**9,948**	9,843	10,409	**8,394**	8,380
Other financial institutions	**464**	418	300	**435**	379
Liabilities at fair value through Income Statement	**172**	167	102	**162**	142
Debt issues	**4,563**	4,169	4,159	**3,625**	3,286
Loan capital	**951**	836	679	**917**	801
Bank levy	**370**	369	-	**370**	369
Controlled entities	**-**	-	-	**3,502**	3,228
Total interest expense	**16,468**	15,802	15,649	**17,405**	16,585
Net interest income	**18,120**	18,342	17,546	**16,054**	16,411

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

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

(3) Current year amounts reflect the adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. As permitted by AASB 9 and AASB 15 comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15 refer to Note 1.1.

2.1 Net interest income (continued)

Accounting policies

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

Interest income is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying amounts net of impairment provisions for financial assets in Stage 3.

Fees, transaction costs and issue costs integral to the financial assets and liabilities are capitalised and included in the interest recognised over the expected life of the instrument. 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 expense also includes payments made under a liquidity facility arrangement with the Reserve Bank of Australia, the Major Bank Levy (Bank Levy) expense and other financing charges.

2.2 Average balances and related interest

The following tables have been produced using statutory Balance Sheet and Income Statement categories. The tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate (mostly daily averages). 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. The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Non-accrual loans are included in interest earning assets under Loans, bills discounted and other receivables. The official cash rate in both Australia and New Zealand (which is reflected in overseas) decreased 25 basis points in financial year 2019 (2018: no changes, 2017: 25 basis points decrease for Australia, and 50 basis points decrease for New Zealand).

									Group
			30 Jun 19			30 Jun 18			30 Jun 17
Interest earning assets [(1)] [(2)]	**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	**18,415**	**367**	**2. 0**	19,087	313	1. 6	17,734	274	1. 5
Overseas	**20,238**	**205**	**1. 0**	18,898	146	0. 8	19,626	47	0. 2
Receivables due from other financial institutions									
Australia	**2,095**	**52**	**2. 5**	2,290	50	2. 2	2,266	17	0. 8
Overseas	**5,799**	**129**	**2. 2**	5,997	90	1. 5	8,850	132	1. 5
Assets at fair value through Income Statement (excluding life insurance)									
Australia	**24,651**	**488**	**2. 0**	20,761	444	2. 1	21,731	422	1. 9
Overseas	**822**	**11**	**1. 3**	4,070	57	1. 4	3,895	68	1. 7
Investment Securities:									
At amortised cost									
Australia	**6,887**	**199**	**2. 9**	-	-	-	-	-	-
Overseas	**5**	**-**	**0. 6**	-	-	-	-	-	-
At fair value through OCI									
Australia	**57,088**	**1,329**	**2. 3**	-	-	-	-	-	-
Overseas	**18,640**	**359**	**1. 9**	-	-	-	-	-	-
Available-for-sale investments									
Australia	**-**	**-**	**-**	66,241	1,479	2. 2	66,615	1,458	2. 2
Overseas	**-**	**-**	**-**	17,011	250	1. 5	13,870	149	1. 1
Loans, bills discounted and other receivables [(3)]									
Australia [(4)]	**603,394**	**26,524**	**4. 4**	597,343	26,711	4. 5	581,093	26,160	4. 5
Overseas	**106,140**	**4,925**	**4. 6**	102,566	4,604	4. 5	99,061	4,468	4. 5
Total interest earning assets and interest income	**864,174**	**34,588**	**4. 0**	854,264	34,144	4. 0	834,741	33,195	4. 0

(1) Information has been restated and presented on a continuing operations basis.
(2) Comparative information has been restated to conform to presentation in the current year.
(3) Loans, bills discounted and other receivables include bank acceptances.
(4) Net of average mortgage offset balances that are included in Non-interest earning assets. Gross Australian loan balance is $648,569 million (2018: $638,167 million, 2017: $616,418 million).

2.2 Average balances and related interest (continued)

			Group
	30 Jun 19	30 Jun 18	30 Jun 17
Non-interest earning assets	**Average Balance $M**	Average Balance $M	Average Balance $M
Assets at fair value through Income Statement - Insurance [1]			
Australia	**-**	-	12,105
Overseas	**-**	377	2,477
Property, plant and equipment			
Australia [2]	**2,208**	2,344	3,743
Overseas	**244**	252	289
Other assets			
Australia [2] [3]	**86,413**	95,521	108,931
Overseas	**10,175**	11,924	13,774
Provisions for impairment			
Australia	**(4,026)**	(3,203)	(3,303)
Overseas	**(599)**	(466)	(424)
Total non-interest earning assets	**94,415**	106,749	137,592
Assets held for sale			
Australia	**15,128**	13,046	-
Overseas	**1,829**	2,228	-
Total assets	**975,546**	976,287	972,333
Percentage of total assets applicable to overseas operations (%)	**16. 7**	16. 7	16. 6

(1) As at 30 June 2019, Insurance assets of CommInsure Life and PT Commonwealth Life are presented as assets held for sale. As at 30 June 2018, Insurance assets of CommInsure Life and Sovereign are presented as assets held for sale.

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

(3) Includes average mortgage offset balances.

2.2 Average balances and related interest (continued)

									Group
			30 Jun 19			30 Jun 18			30 Jun 17
Interest bearing liabilities (1) (2)	**Average Balance $M**	**Interest $M**	**Average Rate %**	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Time deposits									
Australia (3)	**203,750**	**5,164**	**2. 5**	203,694	5,038	2. 5	207,501	5,535	2. 7
Overseas	**53,836**	**1,746**	**3. 2**	51,291	1,532	3. 0	48,461	1,357	2. 8
Savings deposits									
Australia (3)	**144,686**	**1,588**	**1. 1**	146,346	1,812	1. 2	147,705	2,059	1. 4
Overseas	**14,335**	**167**	**1. 2**	14,414	205	1. 4	16,136	313	1. 9
Other demand deposits									
Australia	**114,193**	**1,151**	**1. 0**	112,195	1,120	1. 0	103,193	987	1. 0
Overseas	**8,765**	**132**	**1. 5**	8,136	136	1. 7	8,154	158	1. 9
Payables due to other financial institutions									
Australia	**8,852**	**221**	**2. 5**	10,292	196	1. 9	11,098	158	1. 4
Overseas	**12,709**	**243**	**1. 9**	16,648	222	1. 3	19,235	142	0. 7
Liabilities at fair value through Income Statement									
Australia	**9,372**	**162**	**1. 7**	7,557	141	1. 9	7,049	63	0. 9
Overseas	**1,054**	**10**	**0. 9**	1,332	26	2. 0	1,467	39	2. 7
Debt issues (4)									
Australia	**140,447**	**3,846**	**2. 7**	138,666	3,463	2. 5	136,614	3,323	2. 4
Overseas	**26,676**	**717**	**2. 7**	28,450	706	2. 5	32,307	836	2. 6
Loan capital									
Australia	**15,655**	**668**	**4. 3**	13,788	556	4. 0	11,239	447	4. 0
Overseas	**6,785**	**283**	**4. 2**	6,774	280	4. 1	5,453	232	4. 3
Bank levy									
Australia	**-**	**370**	**-**	-	369	-	-	-	-
Overseas	**-**	**-**	**-**	-	-	-	-	-	-
Total interest bearing liabilities and interest expense	**761,115**	**16,468**	**2. 2**	759,583	15,802	2. 1	755,612	15,649	2. 1

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

2.2 Average balances and related interest (continued)

			Group
	30 Jun 19	30 Jun 18	30 Jun 17
Non-interest bearing liabilities	**Average Balance $M**	Average Balance $M	Average Balance $M
Deposits not bearing interest			
Australia (1)	**91,316**	83,949	72,303
Overseas	**4,897**	4,193	3,671
Insurance policy liabilities			
Australia	**-**	-	11,190
Overseas	**-**	466	1,368
Other liabilities			
Australia	**25,532**	37,250	53,418
Overseas	**9,430**	10,255	12,796
Total non-interest bearing liabilities	**131,175**	136,113	154,746
Liabilities held for sale			
Australia	**13,855**	13,413	-
Overseas	**1,025**	1,308	-
Total liabilities	**907,170**	910,417	910,358
Shareholders' Equity	**68,376**	65,870	61,975
Total liabilities and Shareholders' Equity	**975,546**	976,287	972,333
Total liabilities applicable to overseas operations (%)	**15. 4**	15. 7	16. 4

(1) Includes average mortgage offset balance.

2.2 Average balances and related interest (continued)

Changes in Net Interest Income: Volume and Rate Analysis

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

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

	June 2019 vs June 2018			June 2018 vs June 2017		
Changes in net interest income: Volume and rate analysis (1) (2)	**Volume $M**	**Rate $M**	**Total $M**	Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	**(13)**	**67**	**54**	22	17	39
Overseas	**14**	**45**	**59**	(6)	105	99
Receivables due from other financial institutions						
Australia	**(5)**	**7**	**2**	1	32	33
Overseas	**(4)**	**43**	**39**	(43)	1	(42)
Assets at fair value through Income Statement (excluding life insurance)						
Australia	**77**	**(33)**	**44**	(21)	43	22
Overseas	**(43)**	**(3)**	**(46)**	2	(13)	(11)
Investment Securities: (3)						
Australia	**(54)**	**103**	**49**	(8)	29	21
Overseas	**31**	**78**	**109**	46	55	101
Loans, bills discounted and other receivables						
Australia	**266**	**(453)**	**(187)**	727	(176)	551
Overseas	**166**	**155**	**321**	157	(21)	136
Changes in interest income	**397**	**47**	**444**	780	169	949
Interest Bearing Liabilities and Loan Capital						
Time deposits						
Australia	**1**	**125**	**126**	(94)	(403)	(497)
Overseas	**83**	**131**	**214**	85	90	175
Savings deposits						
Australia	**(18)**	**(206)**	**(224)**	(17)	(230)	(247)
Overseas	**(1)**	**(37)**	**(38)**	(24)	(84)	(108)
Other demand deposits						
Australia	**20**	**11**	**31**	90	43	133
Overseas	**9**	**(13)**	**(4)**	-	(22)	(22)
Payables due to other financial institutions						
Australia	**(36)**	**61**	**25**	(15)	53	38
Overseas	**(75)**	**96**	**21**	(34)	114	80
Liabilities at fair value through Income Statement						
Australia	**31**	**(10)**	**21**	9	69	78
Overseas	**(3)**	**(13)**	**(16)**	(3)	(10)	(13)
Debt issues						
Australia	**49**	**334**	**383**	51	89	140
Overseas	**(48)**	**59**	**11**	(96)	(34)	(130)
Loan capital						
Australia	**80**	**32**	**112**	103	6	109
Overseas	**-**	**3**	**3**	55	(7)	48
Bank levy						
Australia	**-**	**1**	**1**	-	369	369
Overseas	**-**	**-**	**-**	-	-	-
Changes in interest expense	**33**	**633**	**666**	83	70	153
Changes in net interest income	**208**	**(430)**	**(222)**	419	377	796

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

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

(3) Investment securities at FVOCI and investment securities at amortised cost have been compared to available-for-sale assets in the prior period.

2.3 Other operating income

	Group (1) (2)			Bank (2)	
	30 Jun 19	30 Jun 18	30 Jun 17	**30 Jun 19**	30 Jun 18
	$M	$M	$M	**$M**	$M
Other Banking Income					
Lending fees	**992**	1,109	1,078	**926**	1,032
Commissions	**2,673**	2,712	2,601	**2,277**	2,363
Trading income	**974**	1,025	1,149	**874**	916
Net gain/(loss) on non-trading financial instruments (3)	**(113)**	58	433	**(205)**	71
Net gain/(loss) on sale of property, plant and equipment	**(9)**	(17)	6	**(11)**	(17)
Net gain from hedging ineffectiveness	**13**	12	62	**16**	-
Dividends - Controlled entities	**-**	-	-	**1,229**	2,029
Dividends - Other	**5**	10	10	**122**	56
Share of profit from associates and joint ventures net of impairment	**296**	317	270	**27**	(7)
Other (4)	**163**	197	112	**789**	922
Total other banking income (5)	**4,994**	5,423	5,721	**6,044**	7,365
Net Funds Management Operating Income					
Funds management income	**1,233**	1,259	1,200	**-**	-
Claims, policyholder liability and commission expense	**(160)**	(135)	(162)	**-**	-
Net funds management operating income	**1,073**	1,124	1,038	**-**	-
Net Insurance Operating Income					
Premiums from insurance contracts	**682**	687	643	**-**	-
Investment revenue	**5**	4	4	**-**	-
Claims, policyholder liability and commission expense from insurance contracts	**(537)**	(450)	(469)	**-**	-
Net insurance operating income	**150**	241	178	**-**	-
Total other operating income	**6,217**	6,788	6,937	**6,044**	7,365

(1) Information has been restated and presented on a continuing operations basis.
(2) Current year amounts reflect the adoption of AASB 15 'Revenue from contracts with customers' on 1 July 2018. As permitted by AASB 15 comparative information has not been restated. For details on the adoption of AASB 15 refer to Note 1.1.
(3) Inclusive of non-trading derivatives that are held for risk management purposes.
(4) Includes depreciation of $72 million in relation to assets held for lease by the Group (30 June 2018: $74 million, 30 June 2017: $88 million). Includes depreciation of $8 million in relation to assets held for lease by the Bank (30 June 2018: $9 million).
(5) The year ended 30 June 2019 includes $280 million income from the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) and eChoice (30 June 2018: $233 million).

	Group			Bank	
	30 Jun 19	30 Jun 18	30 Jun 17	**30 Jun 19**	30 Jun 18
	$M	$M	$M	**$M**	$M
Net hedging ineffectiveness comprises:					
Gain/(loss) on fair value hedges:					
Hedging instruments	**567**	(757)	841	**(614)**	(759)
Hedged items	**(558)**	765	(799)	**624**	763
Cash flow and net investment hedge ineffectiveness	**4**	4	20	**6**	(4)
Net hedging ineffectiveness	**13**	12	62	**16**	-

2.3 Other operating income (continued)

Accounting policies

Lending fees and commission income include:

- Facility fees earned for managing and administering credit and other facilities for customers. These fees 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 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 upfront fees in relation to lending, lease and guarantee arrangements are deferred and recognised over the life of the contractual arrangements. Commitment fees to originate a loan that is unlikely to be drawn down are charged upfront to the customer and are recognised when the commitment is issued.
- Establishment fees on financing facilities are deferred and amortised to interest income over the expected life of the loan and are not recognised in Other banking income.
- Fee income 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.
- 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 are recognised when received or paid.

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 (i.e. investment securities in the year ended 30 June 2019; available-for-sale securities in the years ended 30 June 2018 and 2017), 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 operating income includes fees earned where the Group acts as the Responsible Entity, Trustee or Manager for a number of wholesale, superannuation, and investment funds or trusts. Fund management services are a single performance obligation and fees are recognised over the service period. Management fees are calculated and deducted from the funds on a monthly basis. Performance fees are deemed to be a variable component of the fund management service and only recognised when it is highly probable that a significant reversal of the fees will not occur.

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 are recognised on a straight line basis over the lease term. This is offset by depreciation and impairment expense on the associated operating lease assets held by the Group.

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

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.

2.4 Operating expenses

	Group [1] [2]			Bank [2]	
	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Staff Expenses					
Salaries and related on-costs	**5,418**	4,963	4,885	**4,998**	4,587
Share-based compensation	**99**	69	106	**115**	91
Superannuation	**398**	407	468	**388**	400
Total staff expenses	**5,915**	5,439	5,459	**5,501**	5,078
Occupancy and Equipment Expenses					
Operating lease rentals	**654**	665	635	**580**	591
Depreciation of property, plant and equipment	**270**	271	260	**247**	245
Other occupancy expenses	**174**	198	177	**164**	185
Total occupancy and equipment expenses	**1,098**	1,134	1,072	**991**	1,021
Information Technology Services					
Application maintenance and development	**721**	553	431	**734**	588
Data processing	**183**	200	200	**179**	198
Desktop	**142**	153	183	**129**	140
Communications	**217**	179	179	**205**	155
Amortisation of software assets [3]	**598**	563	903	**563**	517
Software write-offs	**13**	71	6	**13**	71
IT equipment depreciation	**93**	80	60	**79**	67
Total information technology services	**1,967**	1,799	1,962	**1,902**	1,736
Other Expenses					
Postage and stationery	**159**	177	183	**151**	163
Transaction processing and market data	**156**	138	143	**131**	120
Fees and commissions:					
Professional fees	**490**	671	379	**470**	651
Other	**239**	133	73	**65**	5
Advertising, marketing and loyalty	**453**	496	462	**362**	400
Amortisation of intangible assets (excluding software and merger related amortisation)	**11**	13	11	**-**	-
Non-lending losses [4]	**656**	838	122	**617**	829
Impairment on investments in subsidiaries	**-**	-	-	**-**	231
Other	**125**	157	263	**148**	242
Total other expenses	**2,289**	2,623	1,636	**1,944**	2,641
Operating expenses before restructuring, separation and transaction costs	**11,269**	10,995	10,129	**10,338**	10,476
Restructuring, separation and transaction costs [5]	**104**	34	4	**295**	227
Total operating expenses [6] [7]	**11,373**	11,029	10,133	**10,633**	10,703

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

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

(3) The year ended 30 June 2019 includes $161 million of amortisation of prepaid software licences (30 June 2018: $136 million; 30 June 2017: $141 million). The year ended 30 June 2017 includes a $393 million one-off expense for acceleration of amortisation on certain software assets.

(4) The year ended 30 June 2019 includes $145 million professional indemnity insurance recovery in relation to the AUSTRAC civil penalty. The year ended 30 June 2018 includes $700 million AUSTRAC civil penalty.

(5) The year ended 30 June 2019 includes $102 million of separation and transaction costs (30 June 2018: $30 million) and $2 million of merger related amortisation (30 June 2018: $4 million; 30 June 2017: $4 million).

(6) The year ended 30 June 2019 includes $269 million of expenses due to the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) and eChoice mortgage broking operations (30 June 2018: $199 million).

(7) The year ended 30 June 2019 includes a $534 million provision for historical Aligned Advice remediation issues and associated program costs, and $384 million of Wealth and Banking customer refunds and associated program costs.

2.4 Operating expenses (continued)

Accounting policies

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

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

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

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

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

Other expenses are recognised as the relevant service is rendered. 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.

2.5 Income tax expense

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

	Group (1)			Bank	
	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Profit before income tax	**11,763**	13,022	13,255	**10,407**	12,110
Prima facie income tax at 30%	**3,529**	3,907	3,977	**3,122**	3,633
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:					
Taxation offsets and other dividend adjustments	**-**	(7)	(11)	**(365)**	(612)
Tax losses not previously brought to account	**-**	-	(56)	**-**	-
Offshore tax rate differential	**(40)**	(36)	(46)	**(8)**	(9)
Offshore banking unit	**(32)**	(39)	(42)	**(32)**	(38)
Effect of changes in tax rates	**1**	15	3	**1**	15
Income tax (over)/under provided in previous years	**(101)**	(70)	(70)	**(105)**	(69)
Non-deductible expense provision (2)	**-**	210	-	**-**	210
Other	**34**	(28)	29	**11**	105
Total income tax expense	**3,391**	3,952	3,784	**2,624**	3,235
Effective tax rate (%)	**28. 8**	30. 3	28. 5	**25. 2**	26. 7

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

	Group (1)			Bank	
Income tax expense attributable to profit from ordinary activities	**30 Jun 19 $M**	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Australia					
Current tax expense	**3,238**	3,916	3,687	**2,755**	3,312
Deferred tax benefit	**(380)**	(416)	(292)	**(256)**	(157)
Total Australia	**2,858**	3,500	3,395	**2,499**	3,155
Overseas					
Current tax expense	**452**	937	359	**87**	77
Deferred tax expense/(benefit)	**81**	(485)	30	**38**	3
Total Overseas	**533**	452	389	**125**	80
Income Tax Expense attributable to profit from ordinary activities	**3,391**	3,952	3,784	**2,624**	3,235

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

2.5 Income tax expense (continued)

	Group			Bank	
	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Deferred tax asset balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement and opening retained profits: (1)					
Provision for employee benefits	**425**	452	493	**398**	391
Provisions for impairment on loans, bills discounted and other receivables	**1,345**	991	1,032	**1,230**	913
Other provisions not tax deductible until expense incurred	**497**	221	201	**331**	154
Defined benefit superannuation plan	**357**	339	320	**357**	339
Unearned income	**250**	267	228	**250**	267
Other	**312**	296	225	**308**	273
Total amount recognised in the Income Statement and opening retained profits (1)	**3,186**	2,566	2,499	**2,874**	2,337
Amounts recognised directly in Other Comprehensive Income:					
Cash flow hedge reserve	**142**	114	123	**19**	11
Other reserves	**41**	22	12	**46**	28
Total amount recognised directly in Other Comprehensive Income	**183**	136	135	**65**	39
Total deferred tax assets (before set off)	**3,369**	2,702	2,634	**2,939**	2,376
Set off to tax	**(1,694)**	(1,263)	(1,728)	**(1,369)**	(946)
Net deferred tax assets	**1,675**	1,439	906	**1,570**	1,430
Deferred tax liability balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement and opening retained profits: (1)					
Lease financing	**162**	200	235	**91**	100
Intangible assets	**56**	56	64	**56**	56
Financial instruments	**3**	30	179	**13**	10
Insurance	**-**	-	485	**-**	-
Investments in associates	**148**	131	122	**-**	-
Other	**118**	83	246	**38**	39
Total amount recognised in the Income Statement and opening retained profits (1)	**487**	500	1,331	**198**	205
Amounts recognised directly in Other Comprehensive Income:					
Revaluation of properties	**82**	81	76	**84**	80
Foreign currency translation reserve	**36**	18	8	**-**	-
Cash flow hedge reserve	**481**	48	70	**479**	45
Defined benefit superannuation plan	**487**	498	445	**487**	498
Investment securities revaluation reserve	**121**	-	-	**121**	-
Available-for-sale investments reserve	**-**	118	130	**-**	118
Total amount recognised directly in Other Comprehensive Income	**1,207**	763	729	**1,171**	741
Total deferred tax liabilities (before set off)	**1,694**	1,263	2,060	**1,369**	946
Set off to tax	**(1,694)**	(1,263)	(1,728)	**(1,369)**	(946)
Net deferred tax liabilities	**-**	-	332	**-**	-

(1) The adoption of AASB 9 and AASB 15 on 1 July 2018 resulted in an increase in the Group's deferred tax asset of $435 million (Bank: $353 million) and an increase in the Group's deferred tax liability of $101 million (Bank: $27 million) recognised through opening retained profits. As permitted by AASB 9 and AASB 15, comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15, refer to Note 1.1.

2.5 Income tax expense (continued)

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

	Group			Bank	
Deferred tax assets not taken to account	**30 Jun 19 $M**	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Tax losses and other temporary differences on revenue account that:					
Expire under current legislation	**-**	-	52	**-**	-
Do not expire under current legislation	**-**	47	29	**-**	-
Total	**-**	47	81	**-**	-

Tax Consolidation

The Bank has recognised a tax consolidation contribution to the wholly-owned tax consolidated entity of $98 million (2018: $98 million).

The amount receivable by the Bank under the tax funding agreement was $320 million as at 30 June 2019 (2018: $283 million receivable). 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.

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

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

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

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

Critical accounting judgements and estimates

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

2.6 Earnings per Share

Earnings per ordinary share (1)	30 Jun 19	30 Jun 18	Group (3) 30 Jun 17
		Cents per Share	
Earnings per share from continuing operations: (2)			
Basic	**473. 7**	518. 8	549. 9
Diluted	**457. 5**	503. 2	532. 9
Earnings per share:			
Basic	**485. 6**	534. 3	577. 3
Diluted	**468. 6**	517. 7	558. 8

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

(2) The information has been restated and presented on a continuing operations basis.

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

Reconciliation of earnings from continuing operations used in calculation of earnings per share (1)	**30 Jun 19** **$M**	30 Jun 18 $M	Group 30 Jun 17 $M
Profit after income tax from continuing operations	**8,372**	9,070	9,471
Less: Other equity instrument dividends	**-**	-	-
Less: Non-controlling interests	**(12)**	(13)	(13)
Continuing operations earnings used in calculation of basic earnings per share	**8,360**	9,057	9,458
Add: Profit impact of assumed conversions of loan capital	**323**	267	218
Continuing operations earnings used in calculation of fully diluted earnings per share	**8,683**	9,324	9,676
Reconciliation of earnings used in calculation of earnings per share			
Continuing operations earnings used in calculation of basic earnings per share	**8,360**	9,057	9,458
Discontinued operations earnings used in calculation of basic earnings per share	**211**	272	470
Earnings used in calculation of basic earnings per share	**8,571**	9,329	9,928
Add: Profit impact of assumed conversions of loan capital	**323**	267	218
Earnings used in calculation of fully diluted earnings per share	**8,894**	9,596	10,146

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

	30 Jun 19 **$M**	Number of Shares 30 Jun 18 $M	30 Jun 17 $M
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,765**	1,746	1,720
Effect of dilutive securities - executive share plans and convertible loan capital instruments	**132**	106	96
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	**1,897**	1,852	1,816

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 issued during the year (as calculated under basic earnings per share adjusted for the effects of dilutive convertible non-cumulative redeemable loan capital instruments and shares issuable under executive share plans).

2.7 Financial reporting by segments

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

During the year, the Group announced the sale of its global asset management business, CFSGAM, and Indonesian life insurance operation, PTCL. The Group's business segment performance has been updated and presented on a continuing operations basis to exclude these businesses, which are disclosed as discontinued operations.

During the year, the Group also made a number of structural changes to its operating segments. This includes merging Bankwest with Retail Banking Services, transferring Commonwealth Financial Planning and General Insurance businesses from Wealth Management to Retail Banking Services and migrating Small Business banking customers from Retail Banking Services to Business and Private Banking. In addition, refinements have been made 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.

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

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

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

(i) Retail Banking Services

Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all Retail Banking Services' customers. Retail Banking Services also includes the Group's General Insurance business in Australia, which is under strategic review and Commonwealth Financial Planning.

(ii) Business and Private Banking

Business and Private Banking provides specialised banking services to relationship managed business and agribusiness customers, private banking to high net worth individuals, margin lending and trading through CommSec, and retail banking products and servicing to non-relationship managed small business customers.

(iii) Institutional Banking and Markets

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

(iv) Wealth Management

Wealth Management includes Platform Administration and Financial Advice. CFSGAM (including operations in Asia and Europe) and CommInsure Life have been presented as discontinued operations.

(v) New Zealand

New Zealand includes Banking and Funds Management businesses operating in New Zealand (excluding Institutional Banking and Markets). The sale of New Zealand life insurance business, Sovereign, was completed on 2 July 2018.

(vi) IFS and Corporate Centre

The following parts of the business are included in IFS and Corporate Centre:

- International Financial Services includes the Indonesian retail and business banking operations, and associate investments in China and Vietnam. It does not include the Business and Private Banking, Institutional Banking and Markets and CFSGAM businesses in Asia;
- Indonesian life insurance operation, PTCL, has been presented as a discontinued operation;
- The sale of TymeDigital SA was completed on 1 November 2018. It has been presented as a discontinued operation.
- Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury; and
- Group wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

2.7 Financial reporting by segments (continued)

							30 Jun 19
	Retail Banking Services $M	**Business and Private Banking $M**	**Institutional Banking and Markets $M**	**Wealth Management $M**	**New Zealand $M**	**IFS and Corporate Centre $M**	**Total $M**
Net interest income	9,342	5,123	1,371	-	1,896	388	**18,120**
Other banking income:							
Commissions	1,383	781	181	-	301	27	**2,673**
Lending fees	197	391	344	-	60	-	**992**
Trading and other income	158	278	548	-	81	338	**1,403**
Total other banking income	1,738	1,450	1,073	-	442	365	**5,068**
Total banking income	11,080	6,573	2,444	-	2,338	753	**23,188**
Funds management income	96	-	-	862	130	(16)	**1,072**
Insurance income	149	-	-	-	-	(2)	**147**
Total operating income	11,325	6,573	2,444	862	2,468	735	**24,407**
Investment experience (1)	15	-	-	17	-	(28)	**4**
Total net operating income before impairment and operating expenses	11,340	6,573	2,444	879	2,468	707	**24,411**
Operating expenses	(4,533)	(2,409)	(1,043)	(645)	(912)	(1,727)	**(11,269)**
Loan impairment expense	(693)	(362)	(17)	-	(102)	(27)	**(1,201)**
Net profit before income tax	6,114	3,802	1,384	234	1,454	(1,047)	**11,941**
Income tax (expense)/benefit	(1,847)	(1,144)	(313)	(74)	(404)	345	**(3,437)**
Non-controlling interests	-	-	-	-	-	(12)	**(12)**
Net profit after tax from continuing operations - "cash basis"	4,267	2,658	1,071	160	1,050	(714)	**8,492**
Net profit after tax from discontinued operations	-	-	-	253	-	(39)	**214**
Net profit after tax - "cash basis" (2)	4,267	2,658	1,071	413	1,050	(753)	**8,706**
(Loss)/gain on disposal and acquisition of entities net of transaction costs	-	-	13	(240)	179	(13)	**(61)**
Hedging and IFRS volatility	-	-	-	-	(48)	(31)	**(79)**
Other non-cash items	(1)	-	-	6	-	-	**5**
Net profit after tax - "statutory basis"	4,266	2,658	1,084	179	1,181	(797)	**8,571**
Additional information							
Amortisation and depreciation	(201)	(162)	(38)	(20)	(80)	(473)	**(974)**
Balance Sheet							
Total assets	412,608	174,852	148,197	21,093	94,320	125,432	**976,502**
Total liabilities	273,603	140,541	150,209	25,297	88,466	228,737	**906,853**

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

(2) This balance excludes non-cash items, including $79 million unrealised losses relating to hedging and IFRS volatility, $82 million transaction and separation costs associated with the disposal of CommInsure Life, $71 million transaction and separation costs associated with the disposal of CFSGAM, $54 million separation costs for NewCo, $33 million impairment loss and transaction costs associated with the disposal of Count, $22 million loss including transaction and separation costs associated with the disposal of TymeDigital SA, partly offset by a $135 million gain net of transaction and separation costs associated with the disposal of Sovereign and $66 million net gain on acquisition and disposals of other businesses, and $1 million expense of Bankwest non-cash items and a $6 million gain due to treasury shares valuation adjustment.

2.7 Financial reporting by segments (continued)

							30 Jun 18 (1)
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	IFS and Corporate Centre $M	Total $M
Net interest income	9,645	5,115	1,434	-	1,760	388	**18,342**
Other banking income:							
Commissions	1,393	820	201	-	285	12	**2,711**
Lending fees	268	355	434	-	55	(3)	**1,109**
Trading and other income	166	250	602	-	75	302	**1,395**
Total other banking income	1,827	1,425	1,237	-	415	311	**5,215**
Total banking income	11,472	6,540	2,671	-	2,175	699	**23,557**
Funds management income	169	-	-	841	112	(3)	**1,119**
Insurance income	242	-	-	-	-	(4)	**238**
Total operating income	11,883	6,540	2,671	841	2,287	692	**24,914**
Investment experience (2)	8	-	-	10	-	(10)	**8**
Total net operating income before impairment and operating expenses	11,891	6,540	2,671	851	2,287	682	**24,922**
Operating expenses	(4,349)	(2,230)	(1,067)	(490)	(860)	(1,999)	**(10,995)**
Loan impairment expense	(652)	(247)	(80)	-	(74)	(26)	**(1,079)**
Net profit before income tax	6,890	4,063	1,524	361	1,353	(1,343)	**12,848**
Income tax (expense)/benefit	(2,067)	(1,218)	(354)	(106)	(378)	203	**(3,920)**
Non-controlling interests	-	-	-	-	-	(13)	**(13)**
Net profit after tax from continuing operations - "cash basis"	4,823	2,845	1,170	255	975	(1,153)	**8,915**
Net profit after tax from discontinued operations	-	-	-	452	96	(51)	**497**
Net profit after tax - "cash basis" (3)	4,823	2,845	1,170	707	1,071	(1,204)	**9,412**
(Loss)/gain on disposal and acquisition of entities net of transaction costs	58	-	-	(139)	(18)	(84)	**(183)**
Hedging and IFRS volatility	-	-	-	-	87	14	**101**
Other non-cash items	(3)	-	-	2	-	-	**(1)**
Net profit after tax - "statutory basis"	4,878	2,845	1,170	570	1,140	(1,274)	**9,329**
Additional information							
Amortisation and depreciation	(169)	(165)	(45)	(18)	(77)	(457)	**(931)**
Balance Sheet							
Total assets	397,986	174,635	162,125	19,459	90,022	130,938	**975,165**
Total liabilities	268,400	136,603	153,644	24,455	82,976	241,227	**907,305**

(1) Comparative information has been restated to conform to presentation in the current year and to reflect a number of structural changes to operating segments.

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

(3) This balance excludes non-cash items, including $101 million unrealised gains relating to hedging and IFRS volatility, $118 million transaction and separation costs associated with the disposal of CommInsure Life, $91 million impairment due to the reclassification of TymeDigital SA as discontinued operation, $21 million demerger costs for NewCo, $18 million transaction and separation costs associated with the disposal of Sovereign, partly offset by $58 million gain recognised on acquisition of AHL and $7 million net gain on acquisition and disposals of other businesses; and $3 million expense of Bankwest non-cash items and a $2 million gain due to treasury shares valuation adjustment.

2.7 Financial reporting by segments (continued)

						Group (1)
	30 Jun 19		30 Jun 18		30 Jun 17	
Financial performance and position	**$M**	**%**	$M	%	$M	%
Income						
Australia	**20,994**	**86. 3**	21,837	86. 9	21,321	87. 1
New Zealand	**2,444**	**10. 0**	2,297	9. 1	2,231	9. 1
Other locations (2)	**899**	**3. 7**	996	4. 0	931	3. 8
Total Income	**24,337**	**100. 0**	25,130	100. 0	24,483	100. 0
Non-Current Assets						
Australia	**12,453**	**93. 2**	13,473	93. 3	15,301	91. 8
New Zealand	**635**	**4. 8**	581	4. 0	1,045	6. 2
Other locations (2)	**261**	**2. 0**	387	2. 7	329	2. 0
Total non-current assets (3)	**13,349**	**100. 0**	14,441	100. 0	16,675	100. 0

(1) Information has been restated and presented on a continuing operations basis. For details on the Group's discontinued operations refer to Note 11.3.

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

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

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

Accounting policies

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

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

3. Our lending activities

Overview

Lending is the Group's primary business activity, generating most of its net interest income and lending fees. The Group satisfies customers' needs for borrowed funds by providing a broad range of lending products in Australia, New Zealand and other jurisdictions. As a result of its lending activities the Group assumes credit risk arising from the potential that borrowers will fail to meet their obligations in accordance with agreed lending terms.

This section provides details of the Group's lending portfolio by type of product and geographical regions, 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		Bank	
	Note	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Australia					
Overdrafts		**26,297**	25,217	**26,297**	25,217
Home loans (1) (2)		**467,361**	451,367	**459,690**	444,186
Credit card outstandings		**11,271**	11,877	**11,271**	11,877
Lease financing		**4,410**	4,318	**3,532**	3,268
Bills discounted (3)		**1,955**	4,280	**1,955**	4,280
Term loans and other lending		**141,695**	147,028	**141,679**	147,009
Total Australia		**652,989**	644,087	**644,424**	635,837
Overseas					
Overdrafts		**1,842**	1,657	**306**	281
Home loans (1)		**55,581**	50,298	**341**	397
Credit card outstandings		**1,069**	993	**-**	-
Lease financing		**8**	25	**1**	4
Term loans and other lending		**49,492**	50,969	**20,662**	24,348
Total overseas		**107,992**	103,942	**21,310**	25,030
Gross loans, bills discounted and other receivables		**760,981**	748,029	**665,734**	660,867
Less					
Provisions for Loan Impairment: (4)	3.2				
Collective provision		**(3,820)**	(2,735)	**(3,455)**	(2,482)
Individually assessed provisions		**(895)**	(870)	**(801)**	(779)
Unearned income:					
Term loans		**(739)**	(692)	**(730)**	(692)
Lease financing		**(386)**	(367)	**(272)**	(264)
		(5,840)	(4,664)	**(5,258)**	(4,217)
Net loans, bills discounted and other receivables		**755,141**	743,365	**660,476**	656,650

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

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

(3) On adoption of AASB 9 on 1 July 2018, bills discounted were reclassified from the trading category under AASB 139 to the amortised cost category under AASB 9 as the bills no longer meet the definition of a trading asset and they are held under the business model to collect. The reclassification did not have an impact on the Group's retained profits. As permitted by AASB 9, comparative information has not been restated.

(4) The adoption of AASB 9 impairment requirements on 1 July 2018 resulted in $968 million increase in the Group's collective provisions on loans, bills discounted and other receivables (Bank: $895 million) and $87 million increase in collective provisions for off-balance sheet instruments (Bank: $84 million). As permitted by AASB 9, comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1.

3.1 Loans, bills discounted and other receivables (continued)

Based on behavioural terms and current market conditions, the amounts expected to be recovered within 12 months of the Balance Sheet date are $185,208 million (2018: $175,826 million) for the Group, and $167,316 million (2018: $159,688 million) for the Bank.

Finance lease receivables

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

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

						Group
		30 Jun 19				30 Jun 18
	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	**1,586**	**(167)**	**1,419**	1,706	(162)	1,544
One year to five years	**2,656**	**(207)**	**2,449**	2,455	(190)	2,265
Over five years	**176**	**(12)**	**164**	182	(15)	167
	4,418	**(386)**	**4,032**	4,343	(367)	3,976

						Bank
		30 Jun 19				30 Jun 18
	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	**1,284**	**(118)**	**1,166**	1,248	(116)	1,132
One year to five years	**2,084**	**(143)**	**1,941**	1,864	(135)	1,729
Over five years	**165**	**(11)**	**154**	160	(13)	147
	3,533	**(272)**	**3,261**	3,272	(264)	3,008

Accounting policies

Loans, bills discounted and other receivables include overdrafts, home loans, credit card 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 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 rate method and are presented net of provisions for impairment. For the accounting policy for provisions for impairment, refer to 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 this effective interest method the Group has estimated the behavioural term of each loan portfolio by reference to historical prepayment rates and the contractual maturity.

3.1 Loans, bills discounted and other receivables (continued)

Contractual maturity tables

				Group
				Maturity Period at 30 June 2019
Industry [1]	**Maturing 1 Year or Less $M**	**Maturing Between 1 and 5 Years $M**	**Maturing After 5 Years $M**	**Total $M**
Australia				
Sovereign	14,139	2,117	506	16,762
Agriculture	3,647	5,273	371	9,291
Bank and other financial	5,470	3,046	159	8,675
Home loans	11,859	51,092	404,410	467,361
Construction	1,381	1,494	363	3,238
Other personal	6,848	12,978	1,682	21,508
Asset financing	3,065	4,757	125	7,947
Other commercial and industrial	41,763	66,223	10,221	118,207
Total Australia	88,172	146,980	417,837	652,989
Overseas				
Sovereign	446	982	8	1,436
Agriculture	3,201	5,874	1,392	10,467
Bank and other financial	2,253	4,295	89	6,637
Home loans	3,155	709	51,717	55,581
Construction	295	164	242	701
Other personal	1,264	378	282	1,924
Asset financing	22	191	203	416
Other commercial and industrial	9,119	14,780	6,931	30,830
Total overseas	19,755	27,373	60,864	107,992
Gross loans, bills discounted and other receivables	107,927	174,353	478,701	760,981

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

Interest rate	**Maturing 1 Year or Less $M**	**Maturing Between 1 and 5 Years $M**	**Maturing After 5 Years $M**	**Total $M**
Australia	74,978	128,798	332,678	536,454
Overseas	18,408	21,952	11,767	52,127
Total variable interest rates	93,386	150,750	344,445	588,581
Australia	13,194	18,182	85,159	116,535
Overseas	1,347	5,421	49,097	55,865
Total fixed interest rates	14,541	23,603	134,256	172,400
Gross loans, bills discounted and other receivables	107,927	174,353	478,701	760,981

3.1 Loans, bills discounted and other receivables (continued)

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

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

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

3.2 Provisions for impairment

	Group			Bank	
Provisions for impairment losses	**30 Jun 19 $M**	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Collective provision					
Opening balance	**2,763**	2,747	2,818	**2,510**	2,482
Change on adoption of AASB 9 (1)	**1,055**	-	-	**979**	-
Net collective provision funding	**724**	716	617	**629**	646
Impairment losses written off	**(901)**	(871)	(894)	**(818)**	(789)
Impairment losses recovered	**206**	201	210	**191**	182
Other	**57**	(30)	(4)	**46**	(11)
Closing balance	**3,904**	2,763	2,747	**3,537**	2,510
Individually assessed provisions					
Opening balance	**870**	980	944	**779**	897
Net new and increased individual provisioning	**619**	625	670	**556**	559
Write-back of provisions no longer required	**(142)**	(262)	(192)	**(127)**	(242)
Discount unwind to interest income	**(23)**	(25)	(31)	**(23)**	(25)
Impairment losses written off	**(500)**	(548)	(454)	**(446)**	(473)
Other	**71**	100	43	**62**	63
Closing balance	**895**	870	980	**801**	779
Total provisions for impairment losses	**4,799**	3,633	3,727	**4,338**	3,289
Less: Off Balance Sheet provisions	**(84)**	(28)	(34)	**(82)**	(28)
Total provisions for loan impairment	**4,715**	3,605	3,693	**4,256**	3,261

(1) The adoption of AASB 9 impairment requirements on 1 July 2018 resulted in $968 million increase in the Group's collective provisions on loans, bills discounted and other receivables (Bank: $895 million) and $87 million increase in collective provisions for off-balance sheet instruments (Bank: $84 million). As permitted by AASB 9, comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1.

Of the total $1,401 million loans written-off by the Group during the year ended 30 June 2019, $424 million remain subject to enforcement activity. Of the total $1,264 million loans written-off by the Bank during the year ended 30 June 2019, $394 million remain subject to enforcement activity.

	Group			Bank	
Provision ratios	**30 Jun 19 %**	30 Jun 18 %	30 Jun 17 %	**30 Jun 19 %**	30 Jun 18 %
Total provisions for impaired assets as a % of gross impaired assets (1)	**32. 77**	33. 60	36. 05	**35. 36**	37. 18
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 63**	0. 49	0. 51	**0. 65**	0. 50

(1) 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.

	Group			Bank	
Loan impairment expense	**30 Jun 19 $M**	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Net collective provision funding	**724**	716	617	**629**	646
Net new and increased individual provisioning	**619**	625	670	**556**	559
Write-back of individually assessed provisions	**(142)**	(262)	(192)	**(127)**	(242)
Total loan impairment expense	**1,201**	1,079	1,095	**1,058**	963

3.2 Provisions for impairment (continued)

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 ECL stage for the year ended 30 June 2019.

Movements in provisions for impairment in the tables below are attributable to the following items:

- *Net transfers between stages*: net movements in provisions for impairment due to transfers of credit exposures between Stage 1, Stage 2 and Stage 3 prior to re-measurement between 12-month and lifetime ECL.
- *Net re-measurement on transfers between stages*: net movements in provisions for impairment due to re-measurement between 12 month ECL and lifetime ECL as a result of transfers between stages.
- *Impact of transfers between 12 months and lifetime ECL*: a total of net transfers between stages and net re-measurement on transfers between stages.
- *Net financial assets originated*: net movements in provisions for impairment due to financial assets originated as well as exposure changes for existing credit exposures due to maturities, repayments or credit limit changes as well as changes in foreign exchange rates.
- *Movements in existing IAP including write-backs*: net movements in existing Individually Assessed Provisions (IAP) excluding movements to or from collective provisions and write-offs.
- *Write-offs*: decreases in the provisions for impairment due to the de-recognition of loans when there is no reasonable expectation of recovery.
- *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.

Movements in credit exposures in the tables below are attributable to the following items:

- *Net transfers between stages and financial assets originated*: net movements in credit exposures due to transfers between Stage 1, Stage 2 and Stage 3 and due to financial assets originated as well as changes in existing credit exposures due to maturities, repayments or credit limit changes as well as changes in foreign exchange rates.
- *Write-offs:* the de-recognition of credit exposures when there is no reasonable expectation of recovery.

					Group (1) **30 Jun 19**
	Stage 1 Collectively Assessed $M	**Stage 2 Collectively Assessed $M**	**Stage 3 Collectively Assessed $M**	**Stage 3 Individually Assessed $M**	**Total $M**
Provisions for impairment losses (2)					
Opening balance	873	2,525	420	870	**4,688**
Net transfers between stages	700	(833)	14	119	**-**
Net re-measurement on transfers between stages	(1,072)	1,596	568	-	**1,092**
Impact of transfers between 12 months and lifetime ECL	(372)	763	582	119	**1,092**
Net financial assets originated	341	(999)	(77)	-	**(735)**
Movements in existing IAP including write-backs	-	-	-	406	**406**
Write-offs	-	-	(901)	(500)	**(1,401)**
Movements due to risk parameter and other changes	63	230	456	-	**749**
Closing balance	**905**	**2,519**	**480**	**895**	**4,799**
Credit exposures (2) (3)					
Opening balance	709,231	190,688	4,017	2,020	**905,956**
Net transfers between stages and financial assets originated	38,727	(26,418)	1,490	698	**14,497**
Write-offs	-	-	(901)	(500)	**(1,401)**
Closing balance	**747,958**	**164,270**	**4,606**	**2,218**	**919,052**

(1) Refer to Note 9.2 for further analysis of provisions for impairment and credit exposures.

(2) Movements in credit exposures exclude Cash and liquid assets and Receivables from other financial institutions. Movements in provisions for impairment losses include provisions in relation to these financial assets. As at 30 June 2019, collective provisions in Stage 1 include $9 million in relation to these financial assets.

(3) The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risk at an industry, geographical 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 2019.

3.2 Provisions for impairment (continued)

Movement in provisions for impairment and credit exposures by ECL stage (continued)

					Bank (1) 30 Jun 19
	Stage 1 Collectively Assessed $M	Stage 2 Collectively Assessed $M	Stage 3 Collectively Assessed $M	Stage 3 Individually Assessed $M	Total $M
Provisions for impairment losses (2)					
Opening balance	783	2,313	393	779	**4,268**
Net transfers between stages	692	(832)	23	117	**-**
Net re-measurement on transfers between stages	(1,037)	1,562	528	-	**1,053**
Impact of transfers between 12 months and lifetime ECL	(345)	730	551	117	**1,053**
Net financial assets originated	323	(981)	(40)	-	**(698)**
Movements in existing IAP including write-backs	-	-	-	351	**351**
Write-offs	-	-	(818)	(446)	**(1,264)**
Movements due to risk parameter and other changes	40	231	357	-	**628**
Closing balance	**801**	**2,293**	**443**	**801**	**4,338**
Credit exposures (2) (3)					
Opening balance	631,044	170,870	3,746	1,578	**807,238**
Net transfers between stages and financial assets originated	30,762	(26,871)	1,241	681	**5,813**
Write-offs	-	-	(818)	(446)	**(1,264)**
Closing balance	**661,806**	**143,999**	**4,169**	**1,813**	**811,787**

(1) Refer to Note 9.2 for further analysis of provisions for impairment and credit exposures.

(2) Movements in credit exposures exclude cash and liquid assets and receivables from other financial institutions. Movements in provisions for impairment losses include provisions in relation to these financial assets. As at 30 June 2019, collective provisions in Stage 1 include $9 million in relation these financial assets.

(3) The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risk at an industry, geographical 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 Bank as at 30 June 2019.

Movements in provisions for impairment during the year were due to the following:

- A net increase in the Group's Stage 1 credit exposures of $38,727 million (Bank: $30,762 million) driven by home loans portfolio growth, partly offset by net transfers from Stage 1 to Stage 2 and Stage 3 reflecting increases in corporate troublesome assets, heightened consumer finance arrears and forward looking adjustments.
- A net reduction in the Group's Stage 2 credit exposures of $26,418 million (Bank: $26,871 million) mainly driven by corporate portfolio optimisation, partly offset by net transfers to Stage 2, mainly from Stage 1 reflecting increases in corporate troublesome assets, heightened consumer finance arrears and forward looking adjustments. The impact of forward looking adjustments accounts for approximately 65% of the Group's and the Bank's Stage 2 credit exposures.
- A net increase in the Group's Stage 3 credit exposures of $787 million (Bank: $658 million) driven by net transfers to Stage 3 from Stage 1 and Stage 2 reflecting increases in corporate troublesome assets and impaired home loans, partly offset by write-offs.

3.2 Provisions for impairment (continued)

Sensitivity of provisions for impairment to changes in forward looking assumptions

As described in Note 1.1, the Group applies four alternative macro-economic scenarios (Central, Upside, Downside and Severe Downside scenarios) to reflect unbiased probability-weighted range of possible future outcomes in estimating ECL.

Assuming 100% weighting on the Central scenario and holding all other assumptions (including forward looking adjustments) constant the Group's provisions for impairment would be approximately $3,639 million (Bank: $3,290 million) compared to $4,799 million (Bank: $4,338 million) provisions for impairment recognised as at 30 June 2019.

Assuming 100% weighting on the Downside Scenario and holding all other assumptions (including forward looking adjustments) constant the Group's total provisions for impairment would be approximately $4,802 million (Bank: $4,338 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.

On 1 July 2018, the Group adopted the AASB 9 impairment requirements, which resulted in the implementation of an expected credit loss impairment model. As a result, from 1 July 2018 provisions are recognised in accordance with the AASB 9 expected credit loss approach. The details of the Group's accounting policies and critical accounting judgements and estimates involved in calculating AASB 9 impairment provisions for the year ended 30 June 2019 are provided in Note 1.1.

3.2 Provisions for impairment (continued)

					Group
Individually assessed provisions by industry classification	**30 Jun 19 $M**	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**51**	56	47	42	133
Bank and other financial	**14**	16	27	29	36
Home loans	**246**	236	249	193	148
Construction	**76**	21	25	25	20
Other personal	**3**	6	9	7	10
Asset financing	**10**	16	18	28	28
Other commercial and industrial	**369**	343	442	483	400
Total Australia	**769**	694	817	807	775
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**46**	25	25	23	14
Bank and other financial	**-**	-	-	4	-
Home loans	**4**	5	4	6	10
Construction	**-**	1	1	8	1
Other personal	**3**	-	-	1	-
Asset financing	**-**	-	10	10	10
Other commercial and industrial	**73**	145	123	85	77
Total overseas	**126**	176	163	137	112
Total individually assessed provisions	**895**	870	980	944	887

3.2 Provisions for impairment (continued)

	Group				
Loans written off by industry classification	**30 Jun 19 $M**	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**59**	28	17	84	65
Bank and other financial	**1**	3	1	10	36
Home loans	**134**	126	115	82	72
Construction	**44**	13	16	11	14
Other personal	**787**	764	792	747	686
Asset financing	**17**	23	41	54	45
Other commercial and industrial	**126**	179	210	249	404
Total Australia	**1,168**	1,136	1,192	1,237	1,322
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**2**	3	15	7	3
Bank and other financial	**5**	5	5	-	69
Home loans	**2**	2	4	7	8
Construction	**2**	1	8	-	-
Other personal	**70**	65	60	54	42
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**152**	207	64	112	35
Total overseas	**233**	283	156	180	157
Gross loans written off	**1,401**	1,419	1,348	1,417	1,479
Less recovery of amounts previously written off:					
Australia	**190**	187	194	211	165
Overseas	**16**	14	16	14	11
Total amounts recovered	**206**	201	210	225	176
Net loans written off	**1,195**	1,218	1,138	1,192	1,303

3.2 Provisions for impairment (continued)

					Group
Loans recovered by industry classification	**30 Jun 19 $M**	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	-	1	-
Bank and other financial	**-**	1	1	27	9
Home loans	**4**	2	3	3	3
Construction	**1**	-	1	1	-
Other personal	**169**	165	170	154	125
Asset financing	**2**	5	7	4	4
Other commercial and industrial	**14**	14	12	21	24
Total Australia	**190**	187	194	211	165
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	-	-	-
Bank and other financial	**-**	-	-	1	-
Home loans	**1**	1	1	1	1
Construction	**-**	1	1	-	-
Other personal	**11**	10	11	10	10
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**4**	2	3	2	-
Total overseas	**16**	14	16	14	11
Total loans recovered	**206**	201	210	225	176

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 and term funds raised in domestic and offshore wholesale markets via issuing debt securities and loan capital. 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**	
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Australia				
Certificates of deposit	**30,924**	31,405	**33,331**	33,496
Term deposits	**148,313**	149,924	**148,491**	150,086
On-demand and short-term deposits	**308,299**	300,607	**308,338**	300,768
Deposits not bearing interest	**49,274**	46,082	**49,245**	46,058
Securities sold under agreements to repurchase	**19,099**	14,696	**19,215**	14,806
Total Australia	**555,909**	542,714	**558,620**	545,214
Overseas				
Certificates of deposit	**12,144**	8,509	**8,818**	6,069
Term deposits	**39,147**	43,896	**5,869**	13,707
On-demand and short-term deposits	**23,491**	22,640	**481**	1,154
Deposits not bearing interest	**5,349**	4,475	**63**	56
Total overseas	**80,131**	79,520	**15,231**	20,986
Total external deposits and other public borrowings	**636,040**	622,234	**573,851**	566,200

(1) Current year balances reflect the adoption of AASB 9 'Financial Instruments' on 1 July 2018. As permitted by AASB 9, comparative information has not been restated. For details on adoption of AASB 9, 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 2019
	Maturing Three Months or Less $M	**Maturing Between Three and Six Months $M**	**Maturing Between Six and Twelve Months $M**	**Maturing after Twelve Months $M**	**Total $M**
Australia					
Certificates of deposit (1)	14,674	13,182	1,232	1,836	**30,924**
Term deposits	92,825	39,389	13,835	2,264	**148,313**
Total Australia	**107,499**	**52,571**	**15,067**	**4,100**	**179,237**
Overseas					
Certificates of deposit (1)	5,938	3,156	3,005	45	**12,144**
Term deposits	17,820	13,129	6,127	2,071	**39,147**
Total overseas	**23,758**	**16,285**	**9,132**	**2,116**	**51,291**
Total certificates of deposits and term deposits	**131,257**	**68,856**	**24,199**	**6,216**	**230,528**

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

4.1 Deposits and other public borrowings (continued)

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

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

Accounting policies

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

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

4.2 Liabilities at fair value through income statement

	Group		Bank	
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Deposits and other borrowings (1)	**6,217**	8,124	**6,217**	7,118
Debt instruments	**714**	399	**155**	264
Trading liabilities	**1,589**	1,724	**1,589**	1,724
Total liabilities at fair value through Income Statement	**8,520**	10,247	**7,961**	9,106

(1) Current period balances reflect the adoption of AASB 9 'Financial Instruments' on 1 July 2018. As permitted by AASB 9, comparative information has not been restated. For details on adoption of AASB 9, refer to Note 1.1.

As at 30 June 2019, $5,201 million of the Group's total liabilities at fair value through Income Statement (Bank: $4,642 million) are expected to be settled within 12 months of the Balance Sheet date. As at 30 June 2018, the majority of the Group's and the Bank's liabilities at fair value through Income Statement were expected to be settled within 12 months.

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 $8,524 million (2018: $10,093 million) and for the Bank is $7,960 million (2018: $8,949 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 using the effective interest method.

4.3 Debt issues

		Group		Bank	
	Note	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Medium-term notes		**98,342**	99,579	**84,014**	87,474
Commercial paper		**20,158**	26,868	**17,596**	23,922
Securitisation notes	4.4	**12,177**	13,089	**-**	-
Covered bonds	4.4	**33,313**	32,758	**29,452**	28,588
Total debt issues (1)		**163,990**	172,294	**131,062**	139,984
Short Term Debt Issues by currency					
USD		**20,147**	27,008	**17,585**	24,061
AUD		**10**	1,009	**10**	1,009
GBP		**3,470**	2,949	**3,470**	2,949
Other currencies		**227**	335	**227**	335
Total short term debt issues		**23,854**	31,301	**21,292**	28,354
Long Term Debt Issues by currency (2)					
USD		**48,293**	51,472	**43,802**	48,017
EUR		**36,172**	33,057	**28,601**	26,842
AUD		**37,909**	35,066	**24,770**	20,875
GBP		**3,653**	4,701	**2,510**	3,614
NZD		**3,596**	3,954	**834**	1,028
JPY		**2,115**	3,505	**1,989**	3,390
Other currencies		**8,331**	9,175	**7,197**	7,801
Offshore loans (all JPY)		**67**	63	**67**	63
Total long term debt issues		**140,136**	140,993	**109,770**	111,630
Maturity Distribution of Debt Issues (3)					
Less than twelve months		**50,095**	59,980	**42,993**	50,994
Greater than twelve months		**113,895**	112,314	**88,069**	88,990
Total debt issues		**163,990**	172,294	**131,062**	139,984

(1) Debt issues include unrealised movements of $8,994 million in 2019 predominantly due to foreign exchange gains and losses.

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

(3) Represents the remaining contractual maturity of the underlying instrument.

The 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.

4.3 Debt issues (continued)

Short term borrowings by Commercial paper program (1)	30 Jun 19	30 Jun 18	30 Jun 17
		Group	
	$M (except where indicated)		
Total			
Outstanding at year end (2)	**20,158**	26,868	28,800
Maximum amount outstanding at any month end	**24,557**	32,336	33,779
Average amount outstanding	**21,592**	30,007	29,226
US Commercial Paper Program			
Outstanding at year end (2)	**20,120**	26,792	28,393
Maximum amount outstanding at any month end	**24,481**	32,127	31,460
Average amount outstanding	**21,494**	29,887	27,593
Weighted average interest rate on:			
Average amount outstanding	**2. 6%**	1. 8%	1. 2%
Outstanding at year end	**2. 7%**	2. 3%	1. 5%
Euro Commercial Paper Program			
Outstanding at year end (2)	**38**	76	407
Maximum amount outstanding at any month end	**163**	219	2,789
Average amount outstanding	**98**	120	1,633
Weighted average interest rate on:			
Average amount outstanding	**2. 2%**	1. 5%	1. 0%
Outstanding at year end	**2. 7%**	2. 2%	1. 2%

(1) Short-term borrowings include callable medium term notes of $3,696 million (2018: $4,433 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 19	As At 30 Jun 18
AUD 1.00 =	USD	**0. 7013**	0. 7387
	EUR	**0. 6170**	0. 6350
	GBP	**0. 5533**	0. 5635
	NZD	**1. 0460**	1. 0909
	JPY	**75. 6460**	81. 7215

(1) End of day, Sydney time.

Guarantee arrangement

Guarantee under the Commonwealth Bank Sale Act

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

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

4.3 Debt Issues (continued)

Accounting 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.

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

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

4.4 Securitisation, Covered Bonds and Transferred Assets

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

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

						Group
		Repurchase Agreements		**Covered Bonds**		**Securitisation** (1)
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Carrying amount of transferred assets	**19,129**	14,696	**39,129**	37,012	**13,521**	14,661
Carrying amount of associated liabilities	**19,099**	14,696	**33,313**	32,758	**12,177**	13,089
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					**13,524**	14,667
Fair value of associated liabilities					**12,177**	13,089
Net position					**1,347**	1,578

						Bank
		Repurchase Agreements		**Covered Bonds**		**Securitisation** (2)
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Carrying amount of transferred assets	**19,245**	14,806	**34,160**	32,210	**70,274**	71,136
Carrying amount of associated liabilities	**19,215**	14,806	**29,452**	28,588	**69,800**	70,484
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					**70,281**	71,155
Fair value of associated liabilities					**69,800**	70,484
Net position					**481**	671

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

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

4.4 Securitisation, covered bonds and transferred assets (continued)

Accounting 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 Bank and ASB retain substantially all of the risks and rewards associated with the mortgages, the Bank and ASB continue to recognise the mortgages on their Balance Sheets. The Group is entitled to any residual income of the securitisation programs after all payments due to investors have been met. The investors have recourse only to the pool of mortgages in the SPV they have invested in.

Covered Bonds Programs

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

Critical accounting judgements and estimates

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

5. Our investing, trading and other banking activities

Overview

In addition to loans, the Group holds other assets to support its activities. Cash and liquid assets, receivables due from other financial institutions, trading assets and 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 (1)		**Bank (1)**	
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Notes, coins, cash at banks and money at short call	**16,655**	22,897	**15,534**	21,351
Securities purchased under agreements to resell	**12,732**	13,520	**11,378**	12,230
Total cash and liquid assets	**29,387**	36,417	**26,912**	33,581

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

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 Assets at fair value through income statement

	Group (1)		Bank (1)	
Assets at Fair Value through Income Statement	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Trading				
Government bonds, notes and securities	**21,955**	18,078	**21,949**	16,923
Corporate/financial institution bonds, notes and securities	**3,264**	6,108	**3,264**	5,112
Shares and equity investments	**29**	116	**5**	6
Commodities	**7,258**	7,952	**7,258**	7,952
Total trading assets	**32,506**	32,254	**32,476**	29,993
Insurance (2)				
Investments backing life risk contracts	**-**	21	**-**	-
Investments backing life investment contracts	**-**	351	**-**	-
Total life insurance investment assets	**-**	372	**-**	-
Other				
Government securities	**81**	49	**-**	-
Receivables due from other corporate/financial institutions	**434**	209	**235**	-
Shares and equity investments	**238**	-	**-**	-
Other lending	**418**	-	**417**	-
Total other assets at fair value through Income Statement	**1,171**	258	**652**	-
Total assets at fair value through Income Statement	**33,677**	32,884	**33,128**	29,993
Maturity Distribution of assets at fair value through income statement				
Less than twelve months	**33,450**	32,247	**32,947**	29,724
More than twelve months	**227**	637	**181**	269
Total assets at fair value through Income Statement	**33,677**	32,884	**33,128**	29,993

(1) Current year balances reflect the adoption of AASB 9 'Financial Instruments' on 1 July 2018. As permitted by AASB 9, comparative information has not been restated. For details on the adoption of AASB 9, refer to Note 1.1.

(2) Life insurance assets have been reclassified to assets held for sale following the announced sale of PT Commonwealth Life.

Accounting policies

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

5.3 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 do not qualify for hedge accounting. Held for Hedging derivatives are instruments held for risk management purposes, which meet the criteria for hedge accounting. Derivative financial instruments are contracts whose values are derived from one or more underlying prices, indexes or other variables.

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

			Group (1)	
		30 Jun 19		30 Jun 18
Derivatives assets and liabilities	**Fair Value Asset $M**	**Fair Value Liability $M**	Fair Value Asset $M	Fair Value Liability $M
Held for trading				
Foreign exchange rate related contracts:				
Forwards	**5,404**	**(5,492)**	8,118	(7,961)
Swaps	**4,078**	**(7,327)**	7,457	(8,505)
Options	**349**	**(346)**	462	(415)
Total foreign exchange rate related contracts	**9,831**	**(13,165)**	16,037	(16,881)
Interest rate related contracts:				
Swaps	**6,978**	**(3,758)**	4,834	(3,458)
Futures	**46**	**(132)**	6	(57)
Options	**554**	**(463)**	531	(736)
Total interest rate related contracts	**7,578**	**(4,353)**	5,371	(4,251)
Credit related swaps	**21**	**(49)**	46	(65)
Equity related contracts:				
Swaps	**10**	**(26)**	12	(40)
Options	**1**	**(3)**	1	(5)
Total equity related contracts	**11**	**(29)**	13	(45)
Commodity related contracts:				
Swaps	**207**	**(193)**	397	(386)
Options	**57**	**(76)**	146	(85)
Total commodity related contracts	**264**	**(269)**	543	(471)
Identified embedded derivatives	**160**	**(60)**	229	(58)
Total derivative assets/(liabilities) held for trading	**17,865**	**(17,925)**	22,239	(21,771)

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

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

5.3 Derivative financial instruments and hedge accounting (continued)

				Group (1)
		30 Jun 19		30 Jun 18
	Fair Value Asset $M	**Fair Value Liability $M**	Fair Value Asset $M	Fair Value Liability $M
Fair value hedges				
Foreign exchange rate related swaps	**5,089**	**(2,384)**	6,538	(3,783)
Interest rate related swaps	**379**	**(1,440)**	278	(1,672)
Total fair value hedges	**5,468**	**(3,824)**	6,816	(5,455)
Cash flow hedges				
Foreign exchange rate related swaps	**1,470**	**(643)**	2,335	(744)
Interest rate related swaps	**411**	**(365)**	734	(493)
Commodity price related swaps	**-**	**(5)**	-	-
Total cash flow hedges	**1,881**	**(1,013)**	3,069	(1,237)
Net investment hedges				
Foreign exchange rate related forwards	**1**	**(15)**	9	(9)
Total net investment hedges	**1**	**(15)**	9	(9)
Total derivative assets/(liabilities) held for hedging	**7,350**	**(4,852)**	9,894	(6,701)

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

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

5.3 Derivative financial instruments and hedge accounting (continued)

			Bank (1)	
		30 Jun 19		30 Jun 18
Derivatives assets and liabilities	**Fair Value Asset $M**	**Fair Value Liability $M**	Fair Value Asset $M	Fair Value Liability $M
Held for trading				
Foreign exchange rate related contracts:				
Forwards	**5,392**	**(5,465)**	8,081	(7,937)
Swaps	**5,036**	**(8,161)**	8,291	(9,197)
Options	**348**	**(345)**	460	(413)
Derivatives held with controlled entities	**41**	**(2,015)**	16	(1,734)
Total foreign exchange rate related contracts	**10,817**	**(15,986)**	16,848	(19,281)
Interest rate related contracts:				
Swaps	**6,735**	**(3,653)**	4,610	(3,226)
Futures	**47**	**(132)**	6	(57)
Options	**554**	**(463)**	531	(736)
Derivatives held with controlled entities	**16**	**(91)**	73	(87)
Total interest rate related contracts	**7,352**	**(4,339)**	5,220	(4,106)
Credit related swaps	**21**	**(49)**	46	(65)
Equity related contracts:				
Swaps	**10**	**(26)**	12	(40)
Options	**1**	**(3)**	1	(5)
Total equity related contracts	**11**	**(29)**	13	(45)
Commodity related contracts:				
Swaps	**207**	**(193)**	397	(386)
Options	**57**	**(76)**	146	(85)
Total commodity related contracts	**264**	**(269)**	543	(471)
Identified embedded derivatives	**160**	**(60)**	229	(58)
Total derivative assets/(liabilities) held for trading	**18,625**	**(20,732)**	22,899	(24,026)

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

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

5.3 Derivative financial instruments and hedge accounting (continued)

	30 Jun 19		Bank (1) 30 Jun 18	
	Fair Value Asset $M	**Fair Value Liability $M**	Fair Value Asset $M	Fair Value Liability $M
Fair value hedges				
Foreign exchange rate related contracts:				
Swaps	**3,707**	**(1,670)**	5,087	(3,052)
Derivatives held with controlled entities	**-**	**(1,948)**	35	(1,365)
Total foreign exchange rate related contracts	**3,707**	**(3,618)**	5,122	(4,417)
Interest rate related contracts:				
Swaps	**333**	**(1,393)**	213	(1,477)
Derivatives held with controlled entities	**-**	**(68)**	13	(27)
Total interest rate related contracts	**333**	**(1,461)**	226	(1,504)
Total fair value hedges	**4,040**	**(5,079)**	5,348	(5,921)
Cash flow hedges				
Foreign exchange rate related contracts:				
Swaps	**1,329**	**(471)**	2,011	(586)
Derivatives held with controlled entities	**-**	**(97)**	16	(30)
Total foreign exchange rate related contracts	**1,329**	**(568)**	2,027	(616)
Interest rate related contracts:				
Swaps	**316**	**(255)**	602	(299)
Derivatives held with controlled entities	**-**	**-**	-	-
Total interest rate related contracts	**316**	**(255)**	602	(299)
Commodity price related contracts:				
Swaps	**-**	**(5)**	-	-
Total commodity price related contracts	**-**	**(5)**	-	-
Total cash flow hedges	**1,645**	**(828)**	2,629	(915)
Net investment hedges				
Foreign exchange rate related forward contracts	**1**	**(15)**	9	(9)
Total net investment hedges	**1**	**(15)**	9	(9)
Total derivative assets/(liabilities) held for hedging	**5,686**	**(5,922)**	7,986	(6,845)

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

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

5.3 Derivative financial instruments and hedge accounting (continued)

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

	Group		Bank	
	Total		Total	
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Within 6 months	**47**	(39)	**57**	(33)
6 months - 1 year	**(103)**	29	**(32)**	38
1 - 2 years	**(340)**	16	**(215)**	68
2 - 5 years	**1,476**	(131)	**1,516**	(25)
After 5 years	**53**	(95)	**207**	57
Net deferred gains/(losses)	**1,133**	(220)	**1,533**	105

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 into a cash flow hedge.

Hedging strategy and hedge accounting

The Group risk management strategy (refer 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 derivative 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 commitments, 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' in the Income Statement.

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

Cash flow hedges

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

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

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

5.3 Derivative financial instruments and hedge accounting (continued)

Derivatives transacted for hedging purposes (continued)

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 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.

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 host contract. It is accounted for separately as a stand-alone derivative at fair value, where:

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

5.3 Derivative financial instruments and hedge accounting (continued)

Hedging instruments

The following table provides 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 risk being hedged.

			Group 30 Jun 19			**Bank 30 Jun 19**
	Notional $M	**Fair Value Derivative Assets $M**	**Fair Value Derivative Liability $M**	**Notional $M**	**Fair Value Derivative Assets $M**	**Fair Value Derivative Liability $M**
Fair value hedges						
Interest rate	112,725	379	(1,440)	98,365	333	(1,461)
Foreign exchange	709	7	(6)	-	-	-
Interest rate and foreign exchange	59,070	5,082	(2,378)	55,587	3,707	(3,618)
Total fair value hedges	172,504	5,468	(3,824)	153,952	4,040	(5,079)
Cash flow hedges						
Interest rate	529,431	411	(365)	481,685	316	(255)
Foreign exchange	19,400	1,470	(643)	16,835	1,329	(568)
Commodity price	80	-	(5)	80	-	(5)
Total cash flow hedges	548,911	1,881	(1,013)	498,600	1,645	(828)
Net investment hedges						
Foreign exchange	481	1	(15)	481	1	(15)
Total net investment hedges	481	1	(15)	481	1	(15)
Total hedging instrument assets/(liabilities)	721,896	7,350	(4,852)	653,033	5,686	(5,922)

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 2019 was $949 million with average maturity of 4 years for the Group and $62 million with average maturity of 1 year for the Bank.

5.3 Derivative financial instruments and hedge accounting (continued)

Hedging instruments (continued)

The table below provides maturity analysis of expected notional values of the Group's hedging instruments by the type of hedge relationship in which they are designated and the type of risk being hedged:

		Group 30 Jun 19			
		Notional Amounts			
	Hedged Risk	Due within 1 year $M	Due from 1 to 5 years $M	Due beyond 5 years $M	Total $M
Fair value hedges	Interest rate	16,714	45,248	50,763	112,725
	Foreign exchange	709	-	-	709
	Interest rate and foreign exchange	12,575	29,577	16,918	59,070
Cash flow hedges and net investment hedges	Interest rate	338,071	185,963	5,397	529,431
	Foreign exchange	12,867	4,722	2,292	19,881
	Commodity price	5	23	52	80

The weighted average fixed interest rate of interest rate swaps hedging interest rate risk is 2.00%. 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 currencies rates of: AUD/USD 0.85 and USD/EUR 0.82.

The table below provides maturity analysis of expected notional values of the Bank's hedging instruments by the type of hedge relationship in which they are designated and the type of risk being hedged:

		Bank 30 Jun 19			
		Notional Amounts			
	Hedged Risk	Due within 1 year $M	Due from 1 to 5 years $M	Due beyond 5 years $M	Total $M
Fair value hedges	Interest rate	14,685	36,050	47,630	98,365
	Foreign exchange	-	-	-	-
	Interest rate and foreign exchange	10,649	29,850	15,088	55,587
Cash flow hedges and net investment hedges	Interest rate	316,484	160,217	4,984	481,685
	Foreign exchange	10,436	4,588	2,292	17,316
	Commodity price	5	23	52	80

The weighted average fixed interest rate of interest rate swaps hedging interest rate risk is 2.00%. The major currencies of cross currency swaps designated in hedge relationships are receive USD / pay AUD and receive EUR / pay USD with weighted average foreign currencies rate: AUD/USD 0.84 and USD/EUR 0.83.

5.3 Derivative financial instruments and hedge accounting (continued)

Hedged items in fair value hedges

The table below provides details of the Group's and the Bank's hedged items designated in fair value hedge relationships by the type of risk being hedged:

		Group		Bank	
		30 Jun 19		30 Jun 19	
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	44,493	4,438	40,064	4,425
Investment securities at fair value through other comprehensive income	Interest rate and foreign exchange	10,130	201	10,130	201
Loans, bills discounted and other receivables	Interest rate	2,136	63	57	57
Shares in and loans to controlled entities	Interest rate	-	-	1,533	65
Shares in and loans to controlled entities	Interest rate and foreign exchange	-	-	19,690	853
Deposits and other public borrowings	Interest rate	557	7	557	7
Deposits and other public borrowings	Interest rate and foreign exchange	49	5	49	5
Assets held for sale	Foreign exchange	1,161	49	-	-
Debt issues	Interest rate	26,319	746	17,713	573
Debt issues	Interest rate and foreign exchange	63,566	2,155	47,585	1,368
Loan capital interest bearing	Interest rate	5,974	326	5,582	316
Loan capital interest bearing	Interest rate and foreign exchange	9,443	192	9,443	193

(1) Represents the accumulated amount of the fair value adjustment included in the carrying amount. Positive amounts represent increases in the carrying amount of the asset or liability. 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.

5.3 Derivative financial instruments and hedge accounting (continued)

Hedge items in cash flow hedges and net investment hedges

The table 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 risk being hedged:

		Group 30 Jun 19		Bank 30 Jun 19	
		Cash Flow Hedge Reserve (1)	Foreign Currency Translation Reserve (2)	Cash Flow Hedge Reserve (1)	Foreign Currency Translation Reserve (2)
Hedged Items	**Hedged Risk**	**$M**	**$M**	**$M**	**$M**
Cash Flow Hedges					
Investment securities at fair value through other comprehensive income	Foreign exchange	15	-	15	-
Loans, bills discounted and other receivables	Interest rate	4,085	-	3,834	-
Shares in and loans to controlled entities	Interest rate	-	-	3	-
Shares in and loans to controlled entities	Foreign exchange	-	-	68	-
Deposits and other public borrowings	Interest rate	(2,741)	-	(2,447)	-
Debt issues	Interest rate	(7)	-	(6)	-
Debt issues	Foreign exchange	(117)	-	76	-
Loan capital interest bearing	Interest rate and Foreign exchange	7	-	7	-
Highly probable forecast transactions	Foreign exchange	(92)	-	-	-
Highly probable forecast transactions	Commodity price	(17)	-	(17)	-
Net Investment Hedges					
Foreign Operations	Foreign exchange	-	(33)	-	(33)
Total		**1,133**	**(33)**	**1,533**	**(33)**

(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 $13 million for the Group and the Bank. A cumulative loss of $1 million related to ceased hedge relationships was amortised to Income Statement during the period.

(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.

5.3 Derivative financial instruments and hedge accounting (continued)

Hedge effectiveness

The table below details effectiveness of the Group's and the Bank's hedges by the type of hedge relationship and the type of risk being hedged:

			Group 30 Jun 19			Bank 30 Jun 19
	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	1,257	(1,269)	(12)	1,384	(1,397)	(13)
Foreign exchange	49	(49)	-	-	-	-
Interest rate and Foreign exchange	(1,864)	1,885	21	(760)	783	23
Total fair value hedges	(558)	567	9	624	(614)	10
Cash flow hedges and net investment hedges						
Interest rate	(1,279)	1,283	4	(1,302)	1,308	6
Foreign exchange	(51)	51	-	(101)	101	-
Commodity prices	(5)	5	-	(5)	5	-
Total cash flow hedges and net investment hedges	(1,335)	1,339	4	(1,408)	1,414	6

(1) Changes in value of hedged item for fair value hedges is recognised in Other Banking Income. Changes in value of the hedged item for cash flow hedges is only used as basis for recognising ineffectiveness and represents the lower of the change in the hedged item and the hedging instrument. During the year, the unrealised gains deferred to the Cash flow hedge reserve were $1,355 million for the Group and $1,428 million for the Bank, and a loss recognised in the Net investment hedge reserve was $20 million for the Group and the Bank.

(2) Hedge ineffectiveness is recognised in Other Banking Income.

5.4 Investment securities

	Group (1)		Bank (1)	
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Investment securities at fair value through OCI				
Government bonds, notes and securities	**50,560**	-	**48,454**	-
Corporate/financial institution bonds, notes and securities	**18,075**	-	**16,407**	-
Shares and equity investments	**67**	-	**45**	-
Covered bonds, mortgage backed securities and SSA (2)	**10,210**	-	**8,306**	-
Total investment securities at fair value through OCI	**78,912**	-	**73,212**	-
Investment securities at amortised cost				
Government bonds, notes and securities	**6**	-	**-**	-
Covered bonds, mortgage backed securities and SSA (2)	**7,349**	-	**7,349**	-
Total investment securities at amortised cost	**7,355**	-	**7,349**	-
Total investment securities	**86,267**	-	**80,561**	-
Available-for-Sale Investments (AASB 139)				
Government bonds, notes and securities	**-**	46,363	**-**	44,701
Corporate/financial institution bonds, notes and securities	**-**	21,372	**-**	20,356
Shares and equity investments	**-**	298	**-**	45
Covered bonds, mortgage backed securities and SSA (2)	**-**	14,207	**-**	12,629
Total available-for-sale investments (AASB 139)	**-**	82,240	**-**	77,731

(1) Current year balances reflect the adoption of AASB 9 ‘Financial Instruments’ on 1 July 2018. As permitted by AASB 9, comparative information has not been restated.
(2) Supranational, Sovereign and Agency Securities (SSA).

As at 30 June 2019, Investment Securities at Fair Value through OCI expected to be recovered within 12 months of the Balance Sheet date were $10,409 million (2018: $14,772 million) for the Group, and $8,639 million (2018: $13,478 million) for the Bank. As at 30 June 2019, Investment Securities at Amortised Cost amounts expected to be recovered within 12 months of the Balance Sheet date were $1,622 million (2018: Nil) for the Group and the Bank. As at 30 June 2018, Available for Sale investments expected to be recovered within 12 months of the Balance Sheet date were $14,772 million for the Group, and $13,478 million for the Bank.

5.4 Investment securities (continued)

										Group
										Maturity Period at 30 June 2019
	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	3,712	1. 99	16,221	1. 46	24,978	1. 70	5,649	2. 77	-	**50,560**
Corporate/financial institution bonds, notes and securities	4,805	1. 59	12,934	2. 58	336	2. 52	-	-	-	**18,075**
Shares and equity investments	-	-	-	-	-	-	-	-	67	**67**
Covered bonds, mortgage backed securities and SSA	1,849	1. 92	6,349	1. 72	1,340	1. 78	672	3. 34	-	**10,210**
Total investment securities at fair value through OCI	**10,366**		**35,504**		**26,654**		**6,321**		**67**	**78,912**
Investment securities at amortised cost										
Government bonds, notes and securities	6	0. 66	-	-	-	-	-	-	-	**6**
Covered bonds, mortgage backed securities and SSA	-	-	22	2. 72	256	2. 39	7,071	2. 32	-	**7,349**
Total investment securities at amortised cost	**6**		**22**		**256**		**7,071**		**-**	**7,355**
Total investment securities	**10,372**	**-**	**35,526**	**-**	**26,910**	**-**	**13,392**	**-**	**67**	**86,267**

Accounting policies

Investment securities primarily include public debt securities held as part of the Group's liquidity portfolio.

Investment securities at Fair Value through OCI (FVOCI)

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 1.1. Impairment is recognised in the Loan Impairment Expense line in the Income Statement.

When FVOCI debt securities 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 rate method and are presented net of provisions for impairment. For the accounting policy for provisions for impairment, refer to Note 1.1.

6. Other assets

Overview

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

6.1 Intangible assets

	Group (1)		Bank (1)	
	30 Jun 19 **$M**	30 Jun 18 $M	**30 Jun 19** **$M**	30 Jun 18 $M
Goodwill				
Purchased goodwill at cost	**5,974**	6,941	**2,522**	2,522
Closing balance	**5,974**	6,941	**2,522**	2,522
Computer Software Costs				
Cost	**4,837**	4,633	**4,396**	4,122
Accumulated amortisation	**(3,125)**	(2,814)	**(2,842)**	(2,440)
Closing balance	**1,712**	1,819	**1,554**	1,682
Brand Names (2)				
Cost	**203**	206	**186**	186
Accumulated amortisation	**(2)**	(1)	**-**	-
Closing balance	**201**	205	**186**	186
Other Intangibles (3)				
Cost	**351**	342	**219**	192
Accumulated amortisation	**(273)**	(217)	**(164)**	(116)
Closing balance	**78**	125	**55**	76
Total Intangible assets	**7,965**	9,090	**4,317**	4,466

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

(2) Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. This balance also includes the Aussie Home Loans brand name ($16 million) which has an indefinite useful life. They are not subject to amortisation, but require annual impairment testing. No impairment was required this period. The Count Financial brand name of $3 million was impaired during the year ended 30 June 2019.

(3) Other intangibles include the value of customer and credit card relationships acquired from Bankwest and Aussie Home Loans. This value represents future net income generated from the relationships that existed at Balance Sheet date. The assets have a useful life of between 6 and 10 years based on the attrition rates of customers. Other intangibles also include prepaid software licences with a net book value of $54 million (30 June 2018: $67 million). Customer relationship intangibles in relation to Count Financial of $13 million were impaired during the year ended 30 June 2019.

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 11.6x – 12.0x (2018: 10.9x – 11.2x). The goodwill allocated to the Wealth Management and IFS cash-generating units is not significant.

6.1 Intangible assets (continued)

Goodwill allocation to cash generating units

	Group (1)	
	30 Jun 19 $M	30 Jun 18 $M
Retail Banking Services	**3,744**	3,841
Business and Private Banking	**1,271**	1,271
Wealth Management	**679**	1,551
New Zealand	**269**	258
IFS and Other	**11**	20
Total	**5,974**	6,941

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

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

	Group (1)		Bank (1)	
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Goodwill				
Opening balance	**6,941**	7,872	**2,522**	2,522
Additions	**-**	446	**-**	-
Transfers/disposals/other adjustments (2)	**(967)**	(1,377)	**-**	-
Closing balance	**5,974**	6,941	**2,522**	2,522
Computer Software Costs				
Opening balance	**1,819**	1,934	**1,682**	1,735
Additions (3)	**343**	486	**287**	399
Amortisation and write-offs (4)	**(450)**	(553)	**(415)**	(452)
Reclassification to assets held for sale	**-**	(48)	**-**	-
Closing balance	**1,712**	1,819	**1,554**	1,682
Brand Names				
Opening balance	**205**	189	**186**	186
Additions	**-**	16	**-**	-
Impairment (5)	**(4)**	-	**-**	-
Closing balance	**201**	205	**186**	186
Other Intangibles				
Opening balance	**125**	100	**76**	77
Additions	**140**	178	**142**	139
Amortisation and impairment (6)	**(187)**	(153)	**(163)**	(140)
Closing balance	**78**	125	**55**	76

(1) Comparative information has been restated to conform to presentation in the current year.
(2) Includes reclassifications to assets held for sale and foreign currency revaluation.
(3) Primarily relates to internal development costs.
(4) Includes amounts associated with discontinued operations.
(5) The Count Financial brand name of $3 million was impaired during the year ended 30 June 2019.
(6) Customer relationship intangibles in relation to Count Financial of $13 million were impaired during the year ended 30 June 2019.

6.1 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 an entity and represents the excess of the consideration paid over the fair value of the net assets and liabilities acquired. Goodwill is tested for impairment annually through allocation to a group of Cash Generating Units (CGUs). The CGUs' recoverable amount is then compared to the carrying amount of 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, net of specific project related grants, are capitalised and amortised over the estimated useful life on a straight line basis. The majority of software projects are amortised over two to five years. The Group's core banking software is amortised over ten years. Software maintenance is expensed as incurred.

Brand names

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

Other intangibles

Other intangibles predominantly comprise customer relationships. Customer relationships acquired as part of a business combination are initially measured at fair value. They are subsequently measured at cost less accumulated amortisation and any impairment losses. Amortisation is calculated based on the timing of projected cash flows 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 181.

6.2 Other assets

		Group (1) (2)		Bank (1) (2)	
	Note	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Accrued interest receivable		**2,421**	2,377	**2,577**	3,114
Accrued fees/reimbursements receivable (3)		**1,117**	1,255	**258**	205
Securities sold not delivered		**1,893**	1,823	**1,323**	1,398
Intragroup current tax receivable		**-**	-	**320**	283
Current tax assets		**624**	24	**609**	3
Prepayments		**291**	253	**190**	143
Defined benefit superannuation plan surplus	10.2	**462**	581	**462**	581
Other		**307**	611	**171**	485
Total other assets		**7,115**	6,924	**5,910**	6,212

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

(2) Current period balances reflect the adoption of AASB 15 'Revenue from Contracts with Customers' on 1 July 2018. As permitted by AASB 15 comparative information has not been restated. For details on adoption of AASB 15 refer to Note 1.1.

(3) Accrued fees/reimbursements receivable as at 30 June 2019 include trail commission receivable of $442 million for the Group.

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 are recognised between trade execution and final settlement. The remaining other assets are recognised on an accruals or service performed basis and amortised over the period in which the economic benefits from these assets are received. Further defined benefit plan details are provided in Note 10.2.

7. Other liabilities

Overview

Other liabilities primarily represent provisions recognised, interest payable, fees and bills payable and unsettled trades. Other provisions principally cover annual leave and long service leave employee entitlements as well as general insurance claims, provisions for customer remediation, compliance and regulation programs and litigations. Also, it includes provision for impairment losses on financial guarantees and other off-balance sheet instruments issued by the Group. They do not relate to individually assessed provisions or collective provisions recognised on impaired financial assets of the Group (such as impaired home loans).

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

Commentary on certain other provisions and contingent liabilities are given in Note 7.1.

7.1 Other provisions

		Group (1)		Bank (1)	
		30 Jun 19	30 Jun 18	**30 Jun 19**	30 Jun 18
	Note	**$M**	$M	**$M**	$M
Employee entitlements		**958**	880	**906**	839
General insurance claims		**292**	219	**-**	-
Customer remediation		**959**	162	**901**	134
Dividends	8.4	**119**	113	**119**	113
Compliance and regulation		**213**	283	**213**	283
Off-balance sheet instruments (2)		**84**	28	**82**	28
Other		**126**	175	**116**	164
Total other provisions		**2,751**	1,860	**2,337**	1,561

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

(2) The adoption of AASB 9 impairment requirements on 1 July 2018 resulted in an $87 million increase in the Group's collective provisions for off-balance sheet instruments (Bank: $84 million). As permitted by AASB 9, comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1.

Maturity distribution of other provisions

	Group (1)		Bank (1)	
	30 Jun 19	30 Jun 18	**30 Jun 19**	30 Jun 18
	$M	$M	**$M**	$M
Less than twelve months	**2,284**	1,606	**1,825**	1,352
More than twelve months	**467**	254	**512**	209
Total other provisions	**2,751**	1,860	**2,337**	1,561

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

7.1 Other provisions (continued)

	Group [1]		Bank [1]	
Reconciliation	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
General insurance claims:				
Opening balance	**219**	273	**-**	-
Additional provisions	**637**	530	**-**	-
Amounts utilised during the year	**(564)**	(584)	**-**	-
Closing balance	**292**	219	**-**	-
Customer remediation:				
Opening balance	**162**	202	**134**	194
Additional provisions [2]	**963**	162	**903**	135
Amounts utilised during the year	**(166)**	(157)	**(136)**	(162)
Release of provision	**-**	(45)	**-**	(33)
Closing balance	**959**	162	**901**	134
Compliance and regulation:				
Opening balance	**283**	69	**283**	69
Additional provisions [3]	**125**	389	**125**	389
Amounts utilised during the year	**(188)**	(175)	**(188)**	(175)
Release of provision	**(7)**	-	**(7)**	-
Closing balance	**213**	283	**213**	283
Off-balance sheet instruments:				
Opening balance	**28**	25	**28**	25
Changes on adoption of AASB 9 [4]	**87**	-	**84**	-
Additional provisions	**-**	3	**-**	3
Release of provision	**(31)**	-	**(30)**	-
Closing balance	**84**	28	**82**	28
Other:				
Opening balance	**175**	264	**164**	227
Additional provisions	**57**	135	**49**	93
Amounts utilised during the year	**(100)**	(131)	**(97)**	(113)
Release of provision	**-**	(56)	**-**	(43)
Reclassification to liabilities held for sale	**(6)**	(37)	**-**	-
Closing balance	**126**	175	**116**	164

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

(2) Customer remediation includes provisions recognised during the current year for Aligned Advice, Banking and other Wealth Management remediation including related program costs.

(3) Compliance and regulation includes additional provisions recognised during the current year for Financial Crimes Compliance Program of Action, ASIC investigation, Better Risk Outcomes Program (BROP) and litigation related costs.

(4) The adoption of AASB 9 impairment requirements on 1 July 2018 resulted in an $87 million increase in the Group's collective provisions for off-balance sheet instruments (Bank: $84 million). As permitted by AASB 9, comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1.

Accounting policies

General insurance claims

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

Customer remediation

This provision covers customer remediation costs and related program costs.

Compliance and regulation

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

7.1 Other provisions (continued)

Accounting policies (continued)

Other provisions

Other provisions include provisions for redundancy and restructuring costs, self-insurance provisions, make-good provisions in relation to property leases, and provisions for certain other costs.

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

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

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.

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

During the current year, the Group raised a provision for Aligned Advice remediation issues and program costs, including ongoing service fees charged where no service was provided. Aligned advisors are not employed by the Group but are representatives authorised to provide financial advice under the licences of the Group's subsidiaries, Financial Wisdom Limited, Count Financial Limited and Commonwealth Financial Planning Limited (Pathways only). As at 30 June 2019, the Group holds a provision of $534 million in relation to Aligned Advice remediation. This includes $251 million for customer fee refunds, $123 million for interest on fees subject to refunds and $160 million for costs to implement the remediation program.

The Group's estimate of the proportion of fees to be refunded is based on sample testing and assumes a refund rate of 24%. 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 $15 million.

The Group is finalising its remediation approach in consultation with ASIC.

Banking and other Wealth customer remediation

During the year ended 30 June 2019, the Group recognised provisions of $384 million for Banking and other Wealth Management customer remediation programs. The provision raised for banking remediation includes an estimate of refunds and interest to customers relating to business banking products, including bank guarantees, cash deposit accounts, merchants billing and certain commercial lending products. The wealth remediation provision includes an estimate of refunds and interest relating to advice quality, fees where no service was provided in the Commonwealth Financial Planning business, the Loan Protection Insurance product and certain other products.

Litigation, investigations and reviews

The Group is party to legal proceedings and the subject of investigations and reviews. These include the matters outlined below as at 30 June 2019. Provisions have been raised where indicated in line with the principles outlined in the accounting policy section of this note.

Litigation

Shareholder class actions

In October 2017 CBA was served with a shareholder class action proceeding filed in the Federal Court of Australia alleging breaches of CBA's continuous disclosure obligations and misleading and deceptive conduct in relation to the subject matter of the civil penalty proceedings brought by 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 proceedings was approved by the Federal Court on 20 June 2018 with CBA paying a penalty of $700 million and legal costs. In the shareholder class action, it is alleged that CBA shareholders who acquired an interest in CBA shares between 1 July 2015 and 3 August 2017 suffered loss caused by the alleged conduct.

7.1 Other provisions (continued)

Litigation, investigations and reviews (continued)

Litigation (continued)

Shareholder class actions (continued)

On 29 June 2018 a similar second shareholder class action in relation to the subject matter of the AUSTRAC proceedings was served on CBA on behalf of certain CBA shareholders who acquired an interest in CBA shares between 16 June 2014 and 3 August 2017. On 10 July 2019, court orders were made confirming the two class action proceedings would continue, would be case managed together and proceed by way of one harmonised statement of claim.

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

Superannuation class action

On 9 October 2018, a class action claim was filed against CBA and Colonial First State Investments Limited (CFSIL) in the Federal Court of Australia. The claim relates to investment in cash and deposit options (which are cash and deposit products prioritised by CBA) in Colonial First State FirstChoice Superannuation Trust and Commonwealth Essential Super. The main allegation is that members with these options in the funds received lower interest rates on them than they would have received had CFSIL put them in equivalent products with higher interest rates obtainable on the market. It is alleged that CBA was involved in CFSIL's breaches as trustee of the funds and CFSIL's breaches as Responsible Entity of the underlying managed investment schemes. Both CBA and CFSIL deny the allegations and filed a defence to the claim on 20 December 2018. The class action lawyers made further amendments to the claim filing an amended statement of claim on 16 April 2019. The amendments introduced additional allegations relating to another term deposit and a breach of trust in respect of adviser commissions, however the commissions claim is made against CFSIL only. CBA and CFSIL filed a defence to the amended claim on 7 June 2019 denying the new claims. It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for the legal costs expected to be incurred in the defence of the claim.

ASIC bank bill swap rate

On 21 June 2018 the Federal Court approved the agreement between CBA and the Australian Securities and Investment Commission (ASIC) to resolve the proceedings concerning alleged market manipulation and unconscionable conduct in respect of the bank bill market. Accordingly CBA has 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 the prior period.

As part of the settlement CBA also entered into an Enforceable Undertaking 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 provided its BBSW Program of remediation work to ASIC and EY on 21 December 2018. EY reviewed the BBSW Program and provided certain recommendations in their report dated 23 April 2019. CBA considered those recommendations with ASIC and EY and delivered its Final BBSW Program to ASIC and EY on 23 July 2019. EY are due to report on CBA's Final BBSW Program on 30 August 2019. The Group has provided for costs associated with implementation of the BBSW program.

Investigations and reviews

ASIC investigation

In September 2017, following the commencement of the civil proceedings against CBA by AUSTRAC, ASIC launched an investigation in relation to the Group's disclosure in respect of the matters the subject of the AUSTRAC proceedings. ASIC is also investigating, among other things, whether the officers and directors at CBA complied with other specific obligations under the Corporations Act 2001 (Cth). CBA continues to engage with ASIC in respect of the investigation and respond to requests made by ASIC. It is currently not possible to predict the ultimate impact of this investigation, if any, on the Group. The Group has provided for the legal costs expected to be incurred in relation to this investigation.

APRA's prudential inquiry into CBA

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the Inquiry) into the Group with the goal of identifying shortcomings in the governance, culture and accountability frameworks.

The 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 will implement all of the recommendations and agreed to adjust its minimum operational risk capital requirements by an additional $1 billion (risk weighted assets $12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction.

CBA has entered into an Enforceable Undertaking under which CBA's remedial action (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.

7.1 Other provisions (continued)

Litigation, investigations and reviews (continued)

Investigations and reviews (continued)

APRA's prudential inquiry into CBA (continued)

Promontory has submitted two reports in September 2018 and December 2018 which have also been released by CBA. Promontory has noted that the Remedial Action Plan program of work remains on track and CBA's commitment to implementing the Inquiry's recommendations in a timely and comprehensive way continued to be strong with all 156 milestones on schedule to be delivered by the due date. Promontory is providing APRA with quarterly progress reports, and CBA is committed to report publicly on its progress against the Remedial Action Plan twice a year. The Group has provided for costs associated with the implementation of the Remedial Action Plan.

The Royal Commission

The Royal Commission was established on 14 December 2017 and was authorised to inquire into misconduct by financial service entities (including CBA). Seven rounds of hearings into misconduct in the banking and financial services industry were held throughout 2018, covering a variety of topics including consumer and business lending, financial advice, superannuation, insurance and a policy round. The Royal Commission's final report was delivered on 1 February 2019. The final report included 76 policy recommendations to the Australian Government and findings in relation to the case studies investigated during the hearings, with a number of referrals being made to regulators for misconduct by financial institutions, which is expected to result in heightened levels of enforcement action across the industry.

The 76 recommendations covered many of CBA's business areas, and also canvassed the role of the regulators and the approach to be taken to customer focus, culture and remuneration. The recommendations regarding the role of regulators and their approach to enforcement may increase enforcement activity, costs and reputational impact for financial institutions. CBA released a statement to the ASX on 8 March 2019 welcoming the final report and committing to actions to deliver on the recommendations. The Government has accepted 75 of the 76 recommendations.

Ongoing service fees in Commonwealth Financial Planning

Following an ASIC investigation, Commonwealth Financial Planning (CFP) entered into an Enforceable Undertaking (EU) with ASIC in April 2018 and agreed to certain variations on 20 December 2018. Under the EU, as varied, CFP agreed, among other things, to provide an attestation to ASIC in relation to remediation of ongoing service over the period July 2015 to January 2018 and in relation to CFP's current ongoing service compliance systems and processes. Although CFP was not in a position to sign the attestation in January 2019, CFP provided the attestation to ASIC on 30 May 2019. ASIC has since confirmed that it is satisfied with the attestation and compliance with the obligations under the EU is now finalised (save for the payment of some remaining refunds due to customers by 30 September 2019).

CFP has not charged ongoing service fees since 1 February 2019, and has not entered into new ongoing service agreements since that date. CFP is moving to a new model where customers will pay for advice once they have received it.

Fair Work Ombudsman (FWO) Investigation

The FWO has commenced an investigation in relation to CBA's self-disclosure of discrepancies in employee arrangements and entitlements. CBA continues to engage with the FWO in respect of the investigation and respond to requests made by the FWO. It is currently not possible to predict the ultimate impact of this investigation, if any, on the Group.

New Zealand compliance audit findings

The Labour Inspectorate in New Zealand is undertaking a programme of compliance audits on a number of organisations in respect of the Holidays Act 2003 (the "Holidays Act"). On 18 December 2018 ASB Bank Limited (ASB) received the Labour Inspectorate's report of its findings on ASB's compliance with the Holidays Act. The findings, based on a sample of employees, include that ASB has not complied with the requirements of the Holidays Act by not including certain incentive payments in ASB's calculation of gross earnings under the Holidays Act. ASB's position in relation to that finding is that the application of the law is uncertain and yet to be definitively determined. That finding, if extrapolated to ASB's entire workforce, would result in an estimated liability of NZD31 million in total for the preceding six years' annual holiday payments. ASB will continue to engage with the Labour Inspectorate on the matter.

Enforceable Undertaking accepted by Office of Australian Information Commission

The Australian Information Commissioner (Commissioner) has accepted an Enforceable Undertaking (EU) offered by CBA. The EU underpins execution of further enhancements to the management and retention of customer personal information within CBA and certain subsidiaries.

The EU follows CBA's ongoing 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 both incidents to the Commissioner in 2016 and 2018 respectively and has since been working to address these incidents and respond to inquiries made by the Commissioner. CBA has found no evidence to date, as a result of these incidents, that our customers' personal information was compromised, or that there have been any instances of unauthorised access by CBA employees or third parties.

It is not currently possible to estimate the financial impact of the Group's response under the EU.

7.1 Other provisions (continued)

Litigation, investigations and reviews (continued)

Investigations and reviews (continued)

Program of Action

The Group continues to strengthen its financial crime capabilities, and has invested significantly, recognising the crucial role that it plays, including through the Program of Action with coverage across all aspects of financial crime (including anti-money laundering/counter-terrorism financing, sanctions and anti-bribery and corruption) and all business units. The Group has provided for certain costs of running the Program of Action.

Remediation and Compliance Programs

The Group undertakes ongoing compliance activities, including review of products, advice, conduct and services provided to customers, as well as interest, fees and premiums charged.

Some of these investigations and reviews have resulted in remediation programs and where required the Group consults with the respective regulator on the proposed remediation action. There is a risk that where a breach has occurred, regulators may also impose fines and/or sanctions.

Provisions are recognised when it is probable an outflow will be required to address a past event and where a reliable estimate is available. There remains a contingent liability with respect to these matters, however the aggregate potential liability of the above matters cannot be reliably estimated.

Other matter

Financial Wisdom Limited, a subsidiary of the Group, has agreements pre-dating 2013, which provide authorised representatives with the ability to sell their client book to the subsidiary in certain circumstances contingent upon a number of key conditions being met. The agreements provide for the sale at a multiple of ongoing revenue subject to a range of criteria (including potential discount factors). The authorised representative must apply to commence the conditional sale process. No applications have been received to date. It is not currently possible to reliably estimate the financial impact of these agreements.

7.2 Bills payable and other liabilities

	Group (1)		Bank (1)	
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Bills payable	**756**	931	**664**	827
Accrued interest payable	**2,676**	2,745	**2,059**	2,163
Accrued fees, employee incentives and other items payable (2) (3) (4)	**2,390**	3,194	**1,906**	2,523
Securities purchased not delivered	**2,414**	2,456	**1,774**	1,942
Unearned income (3) (5)	**1,439**	1,389	**1,011**	968
Other	**610**	910	**1,626**	1,722
Total bills payable and other liabilities	**10,285**	11,625	**9,040**	10,145

(1) Comparative information has been restated to conform to presentation in the current year.
(2) The balance as at 30 June 2018 includes a payable for AUSTRAC civil penalty of $700 million.
(3) Current period balances reflect the adoption of AASB 15 Revenue from Contracts with Customers' on 1 July 2018. As permitted by AASB 15 comparative information has not been restated. For details on adoption of AASB 15 refer to Note 1.1.
(4) Accrued fees payable as at 30 June 2019 include trail commissions payable of $265 million for the Group.
(5) 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 $177 million and $174 million, respectively, as income for the period ended 30 June 2019.

Accounting policies

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

8. Our capital, equity and reserves

Overview

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

This section provides analysis of the Group's 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
- The entities through which securitisation of Group assets are conducted.

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

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

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

The Group has a range of instruments and methodologies available to effectively manage capital. These include share issues and buybacks, dividend and DRP policies, hybrid capital raising and dated and undated subordinated loan capital 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 and at regular intervals throughout the year to the Board.

The Group's capital ratios throughout the 2017, 2018 and 2019 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board approved minimums. The Group is required to inform APRA immediately of any breach or potential breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken.

8.2 Loan capital

				Group		Bank	
		Currency Amount (M)	**Endnotes**	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Tier 1 Loan Capital							
Undated	FRN	USD 100	(1)	**143**	135	**143**	135
Undated	PERLS VI	AUD 2,000	(2)	**-**	1,999	**-**	1,999
Undated	PERLS VII	AUD 3,000	(3)	**2,985**	2,978	**2,985**	2,978
Undated	PERLS VIII	AUD 1,450	(3)	**1,441**	1,436	**1,441**	1,436
Undated	PERLS IX	AUD 1,640	(3)	**1,628**	1,622	**1,628**	1,622
Undated	PERLS X	AUD 1,365	(3)	**1,356**	1,356	**1,352**	1,352
Undated	PERLS XI	AUD 1,590	(3)	**1,580**	-	**1,576**	-
Total Tier 1 Loan Capital				**9,133**	9,526	**9,125**	9,522
Tier 2 Loan Capital							
AUD denominated			(4)	**1,774**	1,773	**1,774**	1,773
USD denominated			(5)	**4,616**	4,380	**4,616**	4,380
JPY denominated			(6)	**968**	896	**968**	896
GBP denominated			(7)	**-**	266	**-**	266
NZD denominated			(8)	**379**	729	**-**	-
EUR denominated			(9)	**5,259**	5,107	**5,259**	5,107
Other currencies denominated			(10)	**318**	309	**318**	309
Total Tier 2 Loan Capital				**13,314**	13,460	**12,935**	12,731
Fair value hedge adjustments				**519**	6	**509**	(4)
Total Loan Capital (1)				**22,966**	22,992	**22,569**	22,249

(1) Loan Capital includes unrealised movements of $220 million in 2019 predominantly due to foreign exchange gains and losses.

As at 30 June 2019, $1,604 million of securities issued by the Group and $1,620 million of securities issued by the Bank were contractually due for redemption in the next 12 months (the Group has the right to call some securities earlier than 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 VI

On 17 October 2012, the Bank issued $2,000 million of Perpetual Exchangeable Resaleable Listed Securities (PERLS VI). All PERLS VI were redeemed for cash on 17 December 2018.

(3) PERLS VII, PERLS VIII, PERLS IX, PERLS X and PERLS XI

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). PERLS VII, PERLS VIII, PERLS IX, PERLS X and PERLS XI are subordinated, unsecured notes.

PERLS VII, PERLS VIII, PERLS IX, PERLS X and PERLS XI 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.

8.2 Loan Capital (continued)

[4] AUD denominated Tier 2 loan capital issuances

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

[5] USD denominated Tier 2 loan capital issuances

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

[6] 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.

[7] GBP denominated Tier 2 loan capital issuances

- GBP150 million subordinated EMTN, issued June 2003, and redeemed in December 2018.

[8] NZD denominated Tier 2 loan capital issuances

- NZD400 million subordinated, unsecured notes, issued April 2014, and redeemed in June 2019:

  On 17 April 2014, a wholly owned entity of the Bank (ASB Bank Limited) issued NZD400 million subordinated, unsecured notes (ASB Notes) with a face value of NZD1 each. All ASB Notes were redeemed for cash on 17 June 2019; and
- NZD400 million subordinated, unsecured notes, issued November 2016, due December 2026:

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

[9] EUR denominated Tier 2 loan capital issuances

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

[10] Other foreign currency denominated Tier 2 loan capital issuances

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

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

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

8.3 Shareholders' equity

	Group		Bank	
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Ordinary Share Capital				
Shares on issue:				
Opening balance	**37,535**	35,266	**37,533**	35,262
Issue of shares (net of issue costs) (1)	**-**	164	**-**	164
Dividend reinvestment plan (net of issue costs) (2) (3)	**748**	2,105	**748**	2,107
	38,283	37,535	**38,281**	37,533
Less treasury shares:				
Opening balance	**(265)**	(295)	**-**	-
Purchase of treasury shares (4)	**(93)**	(95)	**(69)**	-
Sale and vesting of treasury shares (4)	**95**	125	**-**	-
	(263)	(265)	**(69)**	-
Closing balance	**38,020**	37,270	**38,212**	37,533

(1) During the year ended 30 June 2018, shares issued relate to the acquisition of the remaining 20% interest in AHL Holding Pty Limited.

(2) The determined dividend includes an amount attributable to the dividend reinvestment plan of $749 million (final 2017/2018), $536 million (interim 2017/2018) and $1,573 million (final 2016/2017). The value of shares issued under plans rules net of issue costs for the respective periods was $748 million, $533 million and $1,572 million.

(3) The DRP in respect of 2018/2019 interim dividend was satisfied in full through the on-market purchase and transfer of 8,080,558 shares to participating shareholders.

(4) The movement in treasury shares relate to amounts held within life insurance statutory funds, and 1,178,102 shares acquired at an average price of $69.95 for satisfying the Company's obligations under various equity settled share plans. Other than shares purchased as part of the Non-Executive Director fee sacrifice arrangements disclosed in Note 10.3, shares purchased were not on behalf of or initially allocated to a director.

	Group		Bank	
Number of shares on issue	**30 Jun 19 Shares**	30 Jun 18 Shares	**30 Jun 19 Shares**	30 Jun 18 Shares
Opening balance (excluding treasury shares deduction)	**1,759,842,930**	1,729,868,161	**1,759,842,930**	1,729,868,161
Issue of shares (1)	**-**	2,087,604	**-**	2,087,604
Dividend reinvestment plan issues:				
2016/2017 Final dividend fully paid ordinary shares $75.73	**-**	20,772,433	**-**	20,772,433
2017/2018 Interim dividend fully paid ordinary shares $75.38	**-**	7,114,732	**-**	7,114,732
2017/2018 Final dividend fully paid ordinary shares $72.05	**10,396,577**	-	**10,396,577**	-
2018/2019 Interim dividend fully paid ordinary shares $73.21 (2)	**-**	-	**-**	-
Closing balance (excluding treasury shares deduction)	**1,770,239,507**	1,759,842,930	**1,770,239,507**	1,759,842,930
Less: treasury shares (3) (4)	**(2,508,628)**	(3,489,325)	**-**	-
Closing balance	**1,767,730,879**	1,756,353,605	**1,770,239,507**	1,759,842,930

(1) During the year ended 30 June 2018, the number of shares issued relates to the acquisition of the remaining 20% interest in AHL Holdings Pty Limited.

(2) The DRP in respect of 2018/2019 interim dividend was satisfied in full through the on-market purchase and transfer of 8,080,558 shares at $73.21 to participating shareholders.

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

(4) Relates to treasury shares held within the life insurance statutory funds and the employees share scheme.

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

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

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

8.3 Shareholders' equity (continued)

	Group		Bank	
Retained Profits	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Opening balance	**28,360**	26,274	**23,819**	22,256
Changes on adoption of new accounting standards (1)	**(955)**	-	**(868)**	-
Restated opening balance	**27,405**	26,274	**22,951**	22,256
Actuarial (losses)/gains from defined benefit superannuation plans	**(49)**	161	**(50)**	159
Losses on liabilities at fair value due to changes in own credit risk	**-**	(2)	**-**	(2)
Realised gains and dividend income on treasury shares	**12**	16	**-**	-
Net profit attributable to Equity holders of the Bank	**8,571**	9,329	**7,783**	8,875
Total available for appropriation	**35,939**	35,778	**30,684**	31,288
Transfers from/(to) general reserve	**126**	47	**(2)**	(4)
Transfers from asset revaluation reserve	**23**	19	**23**	19
Interim dividend - cash component	**(2,949)**	(2,969)	**(2,949)**	(2,969)
Interim dividend - Dividend reinvestment plan (2) (3)	**(592)**	(536)	**(592)**	(536)
Final dividend - cash component	**(3,316)**	(2,406)	**(3,316)**	(2,406)
Final dividend - Dividend reinvestment plan (3)	**(749)**	(1,573)	**(749)**	(1,573)
Closing balance	**28,482**	28,360	**23,099**	23,819

(1) The Group adopted AASB 9 'Financial Instruments' and AASB 15 'Revenue' on 1 July 2018. The carrying amounts of assets and liabilities impacted by the adoption were adjusted through opening retained profits and reserves on 1 July 2018 as if the Group has always applied the new requirements. As permitted by AASB 9 and AASB 15, comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15 refer to Note 1.1.

(2) The DRP in respect of 2018/2019 interim dividend was satisfied in full through the on-market purchase and transfer of 8,080,558 shares to participating shareholders.

(3) The determined dividend includes an amount attributable to the dividend reinvestment plan of $749 million (final 2017/2018), $536 million (interim 2017/2018), and $1,573 million (final 2016/2017). The value of shares issued under plans rules net of issue costs for the respective periods was $748 million, $533 million, and $1,572 million.

8.3 Shareholders' equity (continued)

	Group		Bank	
	30 Jun 19	30 Jun 18	**30 Jun 19**	30 Jun 18
Reserves	**$M**	$M	**$M**	$M
General Reserve				
Opening balance	**859**	906	**584**	580
Transfer (to)/from retained profits	**(126)**	(47)	**2**	4
Closing balance	**733**	859	**586**	584
Capital Reserve				
Opening balance	**-**	-	**1,254**	1,254
Closing balance	**-**	-	**1,254**	1,254
Asset Revaluation Reserve				
Opening balance	**235**	223	**206**	196
Revaluation of properties	**38**	35	**37**	33
Transfer to retained profits	**(23)**	(19)	**(23)**	(19)
Income tax effect	**(4)**	(4)	**(4)**	(4)
Closing balance	**246**	235	**216**	206
Foreign Currency Translation Reserve				
Opening balance	**448**	457	**88**	35
Currency translation adjustments of foreign operations	**491**	(9)	**233**	39
Currency translation on net investment hedge	**(20)**	15	**(19)**	14
Income tax effect	**(7)**	(15)	**-**	-
Closing balance	**912**	448	**302**	88
Cash Flow Hedge Reserve				
Opening balance	**(160)**	(107)	**70**	66
Gains/(losses) on cash flow hedging instruments:				
Recognised in other comprehensive income	**1,087**	(260)	**1,356**	6
Transferred to Income Statement:				
Interest income	**(630)**	(960)	**(674)**	(975)
Interest expense	**898**	1,160	**746**	985
Income tax effect	**(408)**	7	**(425)**	(12)
Closing balance	**787**	(160)	**1,073**	70
Employee Compensation Reserve				
Opening balance	**145**	164	**139**	164
Current period movement	**16**	(19)	**22**	(25)
Closing balance	**161**	145	**161**	139

8.3 Shareholders' equity (continued)

	Group		Bank	
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Investment Securities Revaluation Reserve				
Opening balance	**-**	-	**-**	-
Change on adoption of AASB 9 (1)	**149**	-	**227**	-
Restated opening balance	**149**	-	**227**	-
Net gains on revaluation of investment securities	**140**	-	**18**	-
Net gains on investment securities transferred to Income Statement on disposal	**(42)**	-	**(42)**	-
Income tax effect	**6**	-	**18**	-
Closing balance	**253**	-	**221**	-
Available-for-sale Investments Reserve				
Opening balance	**149**	226	**227**	261
Change on adoption of AASB 9 (1)	**(149)**	-	**(227)**	-
Restated opening balance	**-**	226	**-**	261
Net losses on revaluation of available-for-sale investments	**-**	(185)	**-**	(135)
Net losses on available-for-sale investments transferred to Income Statement on disposal	**-**	87	**-**	87
Income tax effect	**-**	21	**-**	14
Closing balance	**-**	149	**-**	227
Total Reserves	**3,092**	1,676	**3,813**	2,568
Shareholders' Equity attributable to Equity holders of the Bank	**69,594**	67,306	**65,124**	63,920
Shareholders' Equity attributable to Non-controlling interests	**55**	554	**-**	-
Total Shareholders' Equity	**69,649**	67,860	**65,124**	63,920

(1) The Group and the Bank adopted AASB 9 'Financial Instruments' on 1 July 2018. The carrying amounts of assets and liabilities impacted by the adoption were adjusted through opening retained profits and reserves on 1 July 2018 as if the Group and the Bank have always applied the new requirements. As permitted by AASB 9, comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1.

8.3 Shareholders' equity (continued)

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

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

Capital reserve

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

Asset revaluation reserve

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

Foreign currency translation reserve

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

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

Cash flow hedge reserve

The cash flow hedge reserve is used to record fair value gains or losses associated with the effective portion of designated cash flow hedging instruments. Amounts are reclassified to 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	
	Note	**30 Jun 19 $M**	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Ordinary Shares						
Interim ordinary dividend (fully franked) (2019: 200 cents; 2018: 200 cents; 2017: 199 cents)						
Interim ordinary dividend paid - cash component only		**2,949**	2,969	2,871	**2,949**	2,969
Interim ordinary dividend paid - Dividend Reinvestment Plan (1)		**592**	536	558	**592**	536
Total dividend paid		**3,541**	3,505	3,429	**3,541**	3,505
Other provision carried		**119**	113	100	**119**	113
Dividend proposed and not recognised as a liability (fully franked) (2019: 231 cents; 2018: 231 cents; 2017: 230 cents) (2)		**4,089**	4,065	3,979	**4,089**	4,065
Provision for dividends						
Opening balance		**113**	100	90	**113**	100
Provision made during the year		**7,606**	7,484	7,237	**7,606**	7,484
Provision used during the year		**(7,600)**	(7,471)	(7,227)	**(7,600)**	(7,471)
Closing balance	7.1	**119**	113	100	**119**	113

(1) The DRP in respect of the 2018/2019 interim dividend was satisfied in full through the on-market purchase and transfer of 8,080,558 shares to participating shareholders.

(2) The 2019 final dividend will be satisfied by cash disbursements with the Dividend Reinvestment Plan (DRP) anticipated to be satisfied in full through an on-market purchase of shares. The 2018 final dividend was satisfied by cash disbursements of $3,316 million and $749 million being reinvested by the participants through the DRP. The 2017 final dividend was satisfied by cash disbursements of $2,406 million and $1,573 million being reinvested by the participants through the DRP.

Final dividend

The Directors have declared a franked final dividend of 231 cents per share amounting to $4,089 million. The dividend will be payable on 26 September 2019 to shareholders on the register at 5pm AEST on 15 August 2019. The ex-dividend date is 14 August 2019.

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

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

Dividend franking account

After fully franking the final dividend to be paid for the year, the amount of credits available at the 30% tax rate as at 30 June 2019 to frank dividends for subsequent financial years, is $1,190 million (2018: $1,464 million). This figure is based on the franking accounts of the Bank at 30 June 2019, adjusted for franking credits that will arise from the payment of income tax payable on profits for the year, franking debits that will arise from the payment of dividends proposed, and franking credits that the Bank may be prevented from distributing in subsequent financial periods.

The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 30 June 2019.

8.4 Dividends (continued)

Dividend history

Half year ended	Cents Per Share	Payment Date	Half-year Payout Ratio (1) %	Full Year Payout Ratio (1) %	DRP Price $	DRP Participation Rate (2) %
31 December 2016	199	04/04/2017	70. 1	-	83. 21	16. 3
30 June 2017	230	29/09/2017	79. 0	74. 6	75. 73	39. 5
31 December 2017	200	28/03/2018	71. 4	-	75. 38	15. 3
30 June 2018	231	28/09/2018	91. 9	81. 2	72. 05	18. 4
31 December 2018	200	28/03/2019	77. 0	-	73. 21	16. 7
30 June 2019	231	26/09/2019	103. 0	89. 0	-	-

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

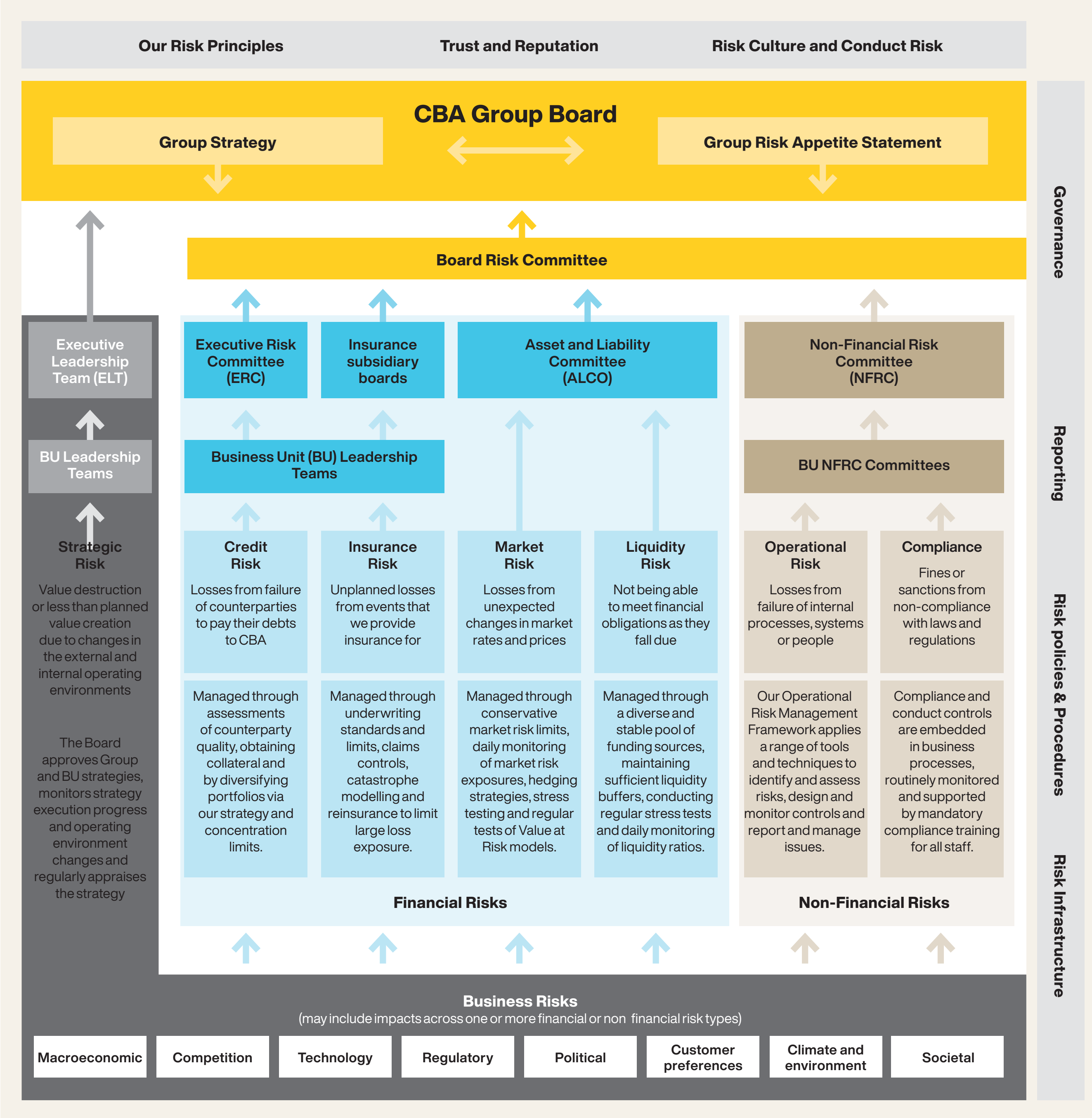
(2) DRP Participation Rate: the percentage of total issued share capital participating in the DRP.

Accounting policies

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

9. Risk management

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

9.1 Risk management framework

The Group's embedded Framework enables the appropriate development and implementation of strategies, policies and procedures to manage its risks. The Framework incorporates the requirements of APRA's prudential standard for risk management (CPS 220) 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 how the Group ensures the comprehensive management of risks across the Group in support of achieving its strategic goals.
- The Group Business Plan (Plan) summarises the Group's approach to the implementation of its strategic objectives. The Plan has a rolling three year duration and reflects material risks arising from its implementation.

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

Risk culture and conduct risk

Risk culture is the beliefs, values and practices within the organisation that determine how risks are identified, measured, governed, and acted upon. A strong risk culture guides our actions in a resilient and flexible way when we need to react and make sound judgements in new and unfamiliar circumstances. The organisation's culture influences employee behaviours and has the potential to lead to poor conduct. The Board's RAS in relation to conduct requires business practices that are fair to our customers, protects the fair and efficient operation of the market and engender confidence in our products and services. The Group's risk culture emphasises doing what is right, accountability, service, excellence and getting things done the right way. Annually the CBA 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.

Trust and reputation

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

The four key elements that operationalise the Framework are:

Risk governance

The Group is committed to ensuring that its risk management practices reflect a high standard of governance. This enables Management to undertake, in an effective manner, prudent risk-taking activities. The Board operates as the highest level of the Group's risk governance as specified in its Charter. The Risk Committee oversees the Framework and helps formulate the Group's risk appetite for consideration by the Board. In particular it:

- Monitors the Group's risk profile (including identification of emerging risks);
- Reviews regular reports from Management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal controls systems;
- Forms a view on the independence of the risk function by meeting with the Group Chief Risk Officer (CRO) at the will of the Committee or the CRO.

The Group operates a Three Lines of Accountability (3LoA) model which places accountability for risk ownership with Line 1 Business Units (BUs) while focussing the mandate of Line 2 Risk Teams on appetite and framework, oversight, assurance, approval or acceptance of risk and advice. Line 3 Audit provides independent assurance to the Board, regulators and other stakeholders of the effectiveness of risk management, internal controls and governance. This model recognises that the business is best positioned to make optimal long-term risk-reward decisions that consider the full end-to-end value chain.

Risk policies & procedures

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

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

Risk reporting

Regular management information is produced which allows financial and 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 Committee but regulatory relationships, strategic risk and reputational matters, capital and liquidity risk are reported directly. Controls reporting is provided to the Audit Committee. The Chairs of the Board Risk and Audit Committees report to the Board post Committee meetings.

Risk management infrastructure

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

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

9.1 Risk management framework (continued)

Material risk types

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Credit Risk	Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Group. At a portfolio level, credit risk includes concentration risk arising from interdependencies between customers, and concentrations of exposures to geographical regions and industry sectors.	**Governing Policies:** • Group Credit Risk Principles, Framework and Governance • Group and Business Unit Credit Risk Policies **Key Management Committee**: • Executive Risk Committee • Loan Loss Provisioning Committee	The following credit concentration frameworks set credit portfolio concentration limits: • Large Credit Exposure Policy; • Country Risk Exposure Policy; and • Industry Sector Concentration Policy. Credit risk indicators with associated intervention levels are set in the Group RAS for corporate and retail exposures and cascaded to BUs. Group and BU Credit Risk Policies cover the credit risk exposure cycle. The measurement of credit risk is primarily based on the APRA accredited Advanced Internal Ratings Based (AIRB) approach.
Market Risk (including Equity Risk)	Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or net worth of the Group. This includes changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, and the resale value of operating leased assets at maturity (lease residual value risk).	**Governing Policies:** • The Group Market Risk Policy **Key Management Committee**: • Asset and Liability Committee	The Group Market Risk Policy sets limits and standards with respect to the following: • Traded Market Risk; • Interest Rate Risk in the Banking Book (IRRBB); • Residual Value Risk; • Non-traded Equity Risk; and • Market Risk in Insurance Businesses. The respective measurement approaches for these risks include: • Value at Risk, Stress Testing; • Market Value Sensitivity, Net Interest Earnings at Risk; • Aggregate Residual Value Risk Margin; • Aggregate Portfolio Limit; and • Value at Risk.
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).	**Governing Policies:** • Group Liquidity Risk Management Policy **Key Management Committee:** • Asset and Liability Committee	The Group Liquidity Policy sets limits and standards with respect to the following: • The Liquidity Coverage Ratio, which sets minimum levels for liquid assets; • The Net Stable Funding Ratio, which encourages stable funding of core assets; • Market and idiosyncratic stress test scenarios; and • Limits that set tolerances for the sources and tenor of funding. The measurement of liquidity risk uses scenario analysis, covering both adverse and ordinary operating circumstances.
Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	**Governing Policies:** • Operational Risk Management Framework (ORMF) • Operational Risk Policies and Standards **Key Management Committee:** • Executive Leadership Team Non- Financial Risk Committee.	A range of Operational Risk indicators are included in the Group Risk Appetite Statement (RAS). The measurement of operational risk capital is based on an APRA accredited Advanced Measurement Approach. The approach combines internal and external loss experience and business judgements captured through Scenario Analysis.
Compliance Risk	Compliance risk is the risk of sanctions, financial loss, or reputational damage we may suffer as a result of the Group's failure to comply with laws, regulations, rules, statements of regulatory policy, and codes of conduct applicable to its business activities (not including operational risk failures) and includes societal expectations. Financial crime represents a sub-component of Compliance Risk and covers risks including Anti Money Laundering, Counter Terrorism Financing, Anti-Bribery and Corruption, and Sanctions.	**Governing Policies:** • Group Compliance Management Framework (CMF) • Group and Business Unit Compliance Policies **Key Management Committee:** • Executive Leadership Team Non- Financial Risk Committee.	The CMF sets the standards on how the Group identifies, assesses, manages, monitors and reports on Compliance management. The CMF is supported by a number of key policies which are set out in the Group Risk Management Approach (RMA). Compliance statements and indicators are included in the Group Risk Appetite Statement (RAS).

9.1 Risk management framework (continued)

Material risk types (continued)

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
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. Insurance risk also covers inadequacy in product design, pricing, underwriting, claims management and reinsurance management as well as variations in policy lapses, servicing expenses, and option take up rates.	**Governing Policies:** • Product Management Policy • Underwriting Policy • Claims Management Policy • Reinsurance Management Policy **Key Management Committee:** • Executive Committees of insurance writing businesses	The key limits and standards with respect to insurance risk are set via the end-to-end policies of insurance writing businesses. The major methods include: • Sound product design and pricing to ensure that customers understand the extent of their cover and that premiums are sufficient to cover the risk involved; • Controls to ensure payment of valid claims without undue delay; • Regular review of insurance experience (as loss ratios, new business volumes and lapse rates), so that product design, policy liabilities and pricing remains sound; and • Transferring a proportion of insurance risk to reinsurers to keep within risk appetite. • Insurance risk is measured using actuarial techniques which are used to establish the likelihood and severity of possible insurance claims.
Strategic Risk	Strategic Risk is the risk of material stakeholder value destruction or less than planned value creation due to changes in the Group's external and internal operating environments (including macroeconomic conditions, competitive forces, technology, regulatory, political and social trends, customer preference and the environment).	**Governing Policies:** • Group Strategic Risk Management Policy **Key Management Committee:** • Executive Leadership Team	The Group assesses, monitors and responds to Strategic Risk throughout its processes for: • strategy development, approval and review; • identifying and monitoring changes and potential changes to the operating environment; and • monitoring execution progress of strategies. In developing the strategy, the following is considered: • impact of strategy on the Group's risk profile and measures of risk appetite; • recent execution progress; and • assumptions around the operating environment. Climate Change is an important component of strategic risk. As for all other strategic risks, the potential adverse impacts of climate change manifest, and are therefore measured and managed, as an outcome in the Group's other material risks. In order to understand these potential impacts, and in support of our commitment to limiting climate change in line with the Paris Agreement, and the responsible global transition to net zero emissions by 2050 we: • Develop scenario analyses to understand the impacts of both transition and physical climate-related risks on our business and the implications for strategic and tactical portfolio decisions; and • Have developed policy frameworks which consider Environmental, Social and Governance (ESG) issues, including climate change impacts in assessing our relationships with customers and suppliers. In addition, Corporate Responsibility programs: • Outline our objectives for safeguarding the environment, while supporting economic growth and development; and • Provide guidelines in monitoring and reducing our own greenhouse gas emissions and energy use.

9.2 Credit risk

Credit risk management principles and portfolio standards

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

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

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

The credit risk portfolio has two major segments:

(i) Retail managed segment

This segment has sub-segments covering housing loans, credit cards, personal loans, and personal overdrafts. It also covers most non-retail lending where the aggregated credit exposure to a group of related obligors is less than $1 million.

Auto-decisioning is used to approve credit applications for eligible counterparties 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 counterparty's behaviour and updated information provided by the counterparty.

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

After loan origination, these portfolios are managed using behavioural scoring systems and a delinquency band approach, such as actions taken when loan payments are greater than 30 days past due differ from actions when payments are greater than 60 days past due. Loans past due are reviewed by the relevant 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 counterparty is such that it is inappropriate to rely completely on a statistical model. External ratings may be used for benchmarking in the expert judgement assessment.

The CRR is designed to:

- Aid in assessing changes to counterparty credit quality;
- Influence decisions on approval, management and pricing of individual credit facilities; and
- Provide the basis for reporting details of the Group's credit portfolio.

Credit risk-rated exposures are generally reviewed on an individual basis, at least annually, and fall within the following categories:

- "Pass" – these credit facilities qualify for approval of new or increased exposure on normal commercial terms; and
- "Troublesome or Impaired Assets (TIAs)" – these credit facilities are not eligible for new or increased exposure, unless it facilitates rehabilitation to "pass grade" or protects or improves the Group's position by maximising recovery prospects. Where a counterparty 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 Credit Rating Governance Committee.

(i) Expected loss

Expected Loss (EL) is the product of:

- PD;
- Exposure at Default (EAD); and
- LGD.

The PD, expressed as a percentage, is the estimate of the probability that a client will default within the next 12 months.

9.2 Credit risk (continued)

Credit risk measurement (continued)

EAD is the estimate of the amount of a facility that will be outstanding under a facility in the event of default. Estimates are based on a downturn in economic conditions. The estimate is based on the actual amount outstanding, plus the undrawn amount multiplied by a credit conversion factor (CCF). The CCF represents the potential rate of conversion from undrawn 12 months prior to default to drawn at default. For most committed facilities, the Group applies a CFF of 100% to the undrawn amount.

For uncommitted facilities, the EAD will generally be the drawn balance only. For defaulted facilities, it is the actual amount outstanding at default. For retail exposures, a modelling approach can be used based on factors including limit usage, arrears and loan type to segment accounts into homogeneous pools to calculate EAD.

LGD expressed as a percentage, is the estimated proportion of a facility likely to be lost in the event of default. LGD is impacted by:

- Type and level of any collateral held;
- Liquidity and volatility of collateral;
- Carrying costs (effectively the costs of providing a facility that is not generating an interest return); and
- Realisation costs.

Various factors are considered when calculating PD, EAD and LGD. Considerations include the potential for default by a borrower due to economic, management, industry and other risks, and the mitigating benefits of any collateral held as security.

(ii) Unexpected loss

In addition to EL, a more stressed loss amount is calculated. This Unexpected Loss estimate directly affects the calculation of regulatory and internal economic capital requirements. Refer to the Performance Overview section and Note 8.1 for information relating to regulatory capital.

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 Banking and Markets loans, as well as large loans in other business units, are evaluated through the Group's compulsory ESG risk assessment process.

The risk of climate change is assessed at origination and during the annual review process. Exposures with medium or high risk profile are subject to additional due diligence and heightened consideration and assessment in the credit process. As at 30 June 2019, there is considered to be no material risk of loss due to climate-related risk in our client exposures.

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 $14,527 million (2018: $21,148 million) deposited with central banks and is considered to carry less credit risk.

Receivables due from other financial institutions

Collateral is usually not sought on these balances as exposures are generally considered to be of low risk. The exposures are mainly short term and to investment grade banks.

Trading assets at fair value through income statement and 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 counterparty but collateral may be implicit in the terms of the instrument (such as an asset-backed security).

Insurance assets

These assets are carried at fair value, which accounts for the credit risk. Collateral is not generally sought or provided on these types of assets, other than a fixed charge over properties backing Australian mortgage investments. In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

Other assets at fair value through income statement

These assets are carried at fair value, which accounts for the credit risk.

Derivative assets

The Group's use of derivative contracts is outlined in Note 5.3. The Group is exposed to counterparty credit risk on derivative contracts. The counterparty credit risk is affected by the nature of the trades, the counterparty, netting, and collateral arrangements. Credit risk from derivatives is mitigated where possible (typically for financial institutions counterparties, but less frequently for corporate or government counterparties) through netting agreements, whereby derivative assets and liabilities with the same counterparty can be offset and cleared with Central Counterparties (CCPs). The International Swaps and Derivatives Association (ISDA) Master Agreement (or other derivative agreements) are used by the Group as an agreement for documenting Over-the-Counter (OTC) derivatives.

9.2 Credit risk (continued)

Derivative assets (continued)

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 not generally taken on these intergroup balances.

Credit commitments and contingent liabilities

The Group applies fundamentally the same risk management policies for off Balance Sheet risks as it does for its on Balance Sheet risks. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction. Of the Group's off Balance Sheet exposures, $103,713 million (2018: $100,110 million) are secured.

Loans, bills discounted and other receivables

The principal collateral types for loans and receivable balances are:

- Mortgages over residential and commercial real estate; and
- Charges over business assets such as cash, shares, inventory, fixed assets and accounts receivables.

Collateral security is generally taken except for government, bank and corporate counterparties that are often externally risk-rated and of strong financial standing. Longer term consumer finance, such as housing loans, are generally secured against real estate, while short term revolving consumer credit is generally not secured by formal collateral.

The collateral mitigating credit risk of the key lending portfolios is addressed in the table 'Collateral held against Loans, Bills Discounted and Other Receivables' within this note.

9.2 Credit risk (continued)

Maximum exposure to credit risk by industry and asset class before collateral held or other credit enhancements

Group
At 30 June 2019

	Sovereign $M	Agri-culture $M	Bank and Other Financial $M	Home Loans $M	Constr-uction $M	Other Personal $M	Asset Financ-ing $M	Other Comm and Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	4,575	-	11,930	-	-	-	-	-	-	16,505
Receivables due from other financial institutions	-	-	3,037	-	-	-	-	-	-	3,037
Assets at fair value through Income Statement:										
Trading	21,354	-	941	-	-	-	-	9,308	-	31,603
Other	81	-	434	-	-	-	-	414	242	1,171
Derivative assets	1,414	64	18,550	-	4	-	-	1,150	-	21,182
Investment securities:										
At amortised cost	9	-	7,341	-	-	-	-	-	-	7,350
At fair value through Other Comprehensive Income	43,540	-	16,893	-	-	-	-	67	-	60,500
Loans, bills discounted and other receivables (1)	16,762	9,291	8,675	467,361	3,238	21,508	7,947	118,207	-	652,989
Bank acceptances	-	3	-	-	2	-	-	27	-	32
Other assets (2)	488	3	5,496	-	-	10	-	230	14,175	20,402
Assets held for sale	1,423	-	5,633	-	-	-	-	3,943	4,211	15,210
Total on Balance Sheet Australia	89,646	9,361	78,930	467,361	3,244	21,518	7,947	133,346	18,628	829,981
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	36	20	1,584	-	324	-	-	3,195	-	5,159
Loan commitments	605	1,975	7,675	67,874	2,331	21,207	-	34,156	-	135,823
Other commitments	58	11	1,362	-	1,390	214	12	2,963	-	6,010
Total Australia	90,345	11,367	89,551	535,235	7,289	42,939	7,959	173,660	18,628	976,973
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	9,952	-	2,930	-	-	-	-	-	-	12,882
Receivables due from other financial institutions	-	-	5,056	-	-	-	-	-	-	5,056
Assets at fair value through Income Statement:										
Trading	602	-	251	-	-	-	-	50	-	903
Insurance	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	169	12	2,110	-	-	-	-	1,742	-	4,033
Investment securities:										
At amortised cost	5	-	-	-	-	-	-	-	-	5
At fair value through Other Comprehensive Income	16,092	-	2,320	-	-	-	-	-	-	18,412
Loans, bills discounted and other receivables (1)	1,436	10,467	6,637	55,581	701	1,924	416	30,830	-	107,992
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets (2)	30	-	338	-	-	4	8	49	1,308	1,737
Assets held for sale	683	-	469	-	-	-	-	23	166	1,341
Total on Balance Sheet Overseas	28,969	10,479	20,111	55,581	701	1,928	424	32,694	1,474	152,361
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	-	10	949	-	54	-	-	334	-	1,347
Loan commitments	419	834	5,034	7,875	222	2,098	48	9,849	-	26,379
Other commitments	-	-	473	-	3	-	-	612	-	1,088
Total Overseas	29,388	11,323	26,567	63,456	980	4,026	472	43,489	1,474	181,175
Total gross credit risk	119,733	22,690	116,118	598,691	8,269	46,965	8,431	217,149	20,102	1,158,148

(1) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income in line with Note 3.1.

(2) For the purpose of reconciling to the Balance Sheet, "Other Assets" predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in Associates and Joint Ventures, Intangible Assets, Deferred tax assets and Other assets.

9.2 Credit risk (continued)

Maximum exposure to credit risk by industry and asset class before collateral held or other credit enhancements (continued)

Group
At 30 June 2018

	Sovereign $M	Agriculture $M	Bank and Other Financial $M	Home Loans $M	Construction $M	Other Personal $M	Asset Financing $M	Other Comm and Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	4,461	-	10,974	-	-	-	-	-	-	15,435
Receivables due from other financial institutions	-	-	2,644	-	-	-	-	-	-	2,644
Assets at fair value through Income Statement:										
Trading	15,917	-	2,780	-	-	-	-	10,223	-	28,920
Other	49	-	209	-	-	-	-	-	-	258
Derivative assets	1,371	45	20,865	-	4	-	-	1,736	-	24,021
Available-for-sale investments	39,906	-	26,525	-	-	-	-	298	-	66,729
Loans, bills discounted and other receivables (1)	16,823	8,998	12,951	451,367	3,028	23,658	8,581	118,681	-	644,087
Bank acceptances	-	2	-	-	2	-	-	35	-	39
Other assets (2)	1,030	4	4,272	-	1	7	-	237	15,100	20,651
Assets held for sale	1,521	-	4,585	-	-	-	-	4,172	3,136	13,414
Total on Balance Sheet Australia	81,078	9,049	85,805	451,367	3,035	23,665	8,581	135,382	18,236	816,198
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	44	18	991	6	307	-	-	3,059	-	4,425
Loan commitments	907	1,750	7,837	66,483	2,439	21,783	-	34,995	-	136,194
Other commitments	54	22	736	1	1,357	-	10	3,021	-	5,201
Total Australia	82,083	10,839	95,369	517,857	7,138	45,448	8,591	176,457	18,236	962,018
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	16,688	-	4,294	-	-	-	-	-	-	20,982
Receivables due from other financial institutions	-	-	6,578	-	-	-	-	-	-	6,578
Assets at fair value through Income Statement:										
Trading	2,161	-	1,085	-	-	-	-	88	-	3,334
Insurance	358	-	14	-	-	-	-	-	-	372
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	348	16	4,586	-	-	-	-	3,162	-	8,112
Available-for-sale investments	12,515	-	2,995	-	-	-	-	1	-	15,511
Loans, bills discounted and other receivables (1)	1,571	9,930	7,075	50,298	638	1,844	457	32,129	-	103,942
Bank acceptances	-	-	-	-	-	-	-	340	-	340
Other assets (2)	30	-	798	2	-	3	10	43	1,334	2,220
Assets held for sale	-	-	1,788	-	-	-	-	-	452	2,240
Total on Balance Sheet Overseas	33,671	9,946	29,213	50,300	638	1,847	467	35,763	1,786	163,631
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1	9	1,486	-	40	-	-	304	-	1,840
Loan commitments	349	1,007	4,266	7,268	230	1,977	-	10,799	-	25,896
Other commitments	9	5	607	-	1	-	-	1,018	-	1,640
Total Overseas	34,030	10,967	35,572	57,568	909	3,824	467	47,884	1,786	193,007
Total gross credit risk	116,113	21,806	130,941	575,425	8,047	49,272	9,058	224,341	20,022	1,155,025

(1) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income in line with Note 3.1.

(2) For the purpose of reconciling to the Balance Sheet, "Other Assets" predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in Associates and Joint Ventures, Intangible Assets, Deferred tax assets and Other assets.

9.2 Credit risk (continued)

Large exposures

Concentrations of exposure to any counterparty or counterparty group are controlled by a large credit exposure policy, which defines a graduated limit framework that restricts credit limits based on the internally assessed CRR, the type of client, and facility tenor. All exposures outside the policy limits require approval by the Executive Risk Committee and are reported to the Board Risk Committee.

The following table shows the number of the Group's Corporate and Industrial aggregated counterparty exposures (including direct and contingent exposures), which individually were greater than 5% of the Group's capital resources (Tier 1 and Tier 2 capital):

	Group	
	30 Jun 19 Number	30 Jun 18 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 61% of the gross loans and other receivables in domestic mortgage loans and a further 7% in overseas mortgage loans, primarily in New Zealand. Overseas loans account for 14% of loans and advances.

Distribution of financial assets by credit classification

When doubt arises as to the collectability of a credit facility, the financial instrument is classified and reported as impaired. Provisions for impairment are raised where there is objective evidence of impairment and for an amount adequate to cover assessed credit related losses. The Group regularly reviews its financial assets and monitors adherence to contractual terms. Credit risk-rated 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 211 to 213 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 as at 30 June 2019.

This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a counterparty's internally assessed PD to S&P Global ratings, reflecting a counterparty's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation. Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. Specifically, Investment grade corresponds to S&P ratings AAA to BBB-, Pass grade corresponds to S&P ratings BB+ to B-, Weak grade corresponds to S&P ratings below CCC. For Stage 3, weak grade includes exposures in default.

9.2 Credit risk (continued)

Distribution of financial instruments by credit quality

					Group 30 Jun 19
Loans, bills and discounted and other receivables	**Stage 1 Collectively Assessed $M**	**Stage 2 Collectively Assessed $M**	**Stage 3 Collectively Assessed $M**	**Stage 3 Individually Assessed $M**	**Total $M**
Credit grade					
Investment	380,159	30,212	-	-	**410,371**
Pass	231,412	87,280	-	-	**318,692**
Weak	9,159	15,024	4,500	2,110	**30,793**
Gross carrying amount	**620,730**	**132,516**	**4,500**	**2,110**	**759,856**
Undrawn credit commitments					
Credit grade					
Investment	78,502	14,470	-	-	**92,972**
Pass	35,709	11,381	-	-	**47,090**
Weak	748	425	87	88	**1,348**
Total undrawn credit commitments	**114,959**	**26,276**	**87**	**88**	**141,410**
Total credit exposures	**735,689**	**158,792**	**4,587**	**2,198**	**901,266**
Impairment provision	**897**	**2,444**	**479**	**895**	**4,715**
ECL coverage %	**0. 1**	**1. 5**	**10. 4**	**40. 7**	**0. 5**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	8,866	1,553	-	-	**10,419**
Pass	3,358	3,689	-	-	**7,047**
Weak	45	236	19	20	**320**
Total financial guarantees and other off Balance Sheet instruments	**12,269**	**5,478**	**19**	**20**	**17,786**
Impairment provision	**8**	**75**	**1**	**-**	**84**
ECL coverage %	**0. 1**	**1. 4**	**5. 3**	**-**	**0. 5**
Total Credit Exposures					
Credit grade					
Investment	467,527	46,235	-	-	**513,762**
Pass	270,479	102,350	-	-	**372,829**
Weak	9,952	15,685	4,606	2,218	**32,461**
Total credit exposures (1)	**747,958**	**164,270**	**4,606**	**2,218**	**919,052**
Total impairment provision	**905**	**2,519**	**480**	**895**	**4,799**
ECL coverage %	**0. 1**	**1. 5**	**10. 4**	**40. 4**	**0. 5**

(1) The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risk at an industry, geographical 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 2019.

9.2 Credit risk (continued)

Distribution of Financial Instruments by Credit Quality (continued)

Bank
30 Jun 19

Loans, bills and discounted and other receivables	**Stage 1 Collectively Assessed $M**	**Stage 2 Collectively Assessed $M**	**Stage 3 Collectively Assessed $M**	**Stage 3 Individually Assessed $M**	**Total $M**
Credit grade					
Investment	353,676	28,113	-	-	**381,789**
Pass	182,819	72,105	-	-	**254,924**
Weak	8,681	13,529	4,081	1,728	**28,019**
Gross carrying amount	**545,176**	**113,747**	**4,081**	**1,728**	**664,732**
Undrawn credit commitments					
Credit grade					
Investment	75,156	14,395	-	-	**89,551**
Pass	28,875	10,180	-	-	**39,055**
Weak	728	383	70	65	**1,246**
Total undrawn credit commitments	**104,759**	**24,958**	**70**	**65**	**129,852**
Total credit exposures	**649,935**	**138,705**	**4,151**	**1,793**	**794,584**
Impairment provision	**793**	**2,220**	**441**	**801**	**4,255**
ECL coverage %	**0. 1**	**1. 6**	**10. 6**	**44. 7**	**0. 5**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	8,762	1,553	-	-	**10,315**
Pass	3,064	3,511	-	-	**6,575**
Weak	45	230	18	20	**313**
Total financial guarantees and other off Balance Sheet instruments	**11,871**	**5,294**	**18**	**20**	**17,203**
Impairment provision	**8**	**73**	**2**	**-**	**83**
ECL coverage %	**0. 1**	**1. 4**	**11. 1**	**-**	**0. 5**
Total Credit Exposures					
Credit grade					
Investment	437,594	44,061	-	-	**481,655**
Pass	214,758	85,796	-	-	**300,554**
Weak	9,454	14,142	4,169	1,813	**29,578**
Total credit exposures (1)	**661,806**	**143,999**	**4,169**	**1,813**	**811,787**
Total impairment provision	**801**	**2,293**	**443**	**801**	**4,338**
ECL coverage %	**0. 1**	**1. 6**	**10. 6**	**44. 2**	**0. 5**

(1) The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risk at an industry, geographical 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 Bank as at 30 June 2019.

9.2 Credit risk (continued)

Distribution of financial instruments by credit quality (continued)

The tables below present the Group's and the Bank's total impairment provisions on lending assets by ECL stage as at 30 June 2019.

					30 Jun 19
	Impairment provisions, $M				
Portfolio (1)	**Stage 1 12 months ECL Collectively assessed**	**Stage 2 Lifetime ECL Collectively assessed**	**Stage 3 Lifetime ECL Collectively assessed**	**Stage 3 Lifetime ECL Individually assessed**	**Total**
Retail					
Secured lending	266	393	132	271	**1,062**
Unsecured lending	474	934	217	3	**1,628**
Total retail	740	1,327	349	274	**2,690**
Non-retail					
Corporate and business lending, bank and sovereign entities (2)	168	1,192	131	621	**2,112**
Total (3)	**908**	**2,519**	**480**	**895**	**4,802**

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees and debt securities classified at fair value through OCI.

(2) Stage 1 provision includes $3 million ECL in relation to investment securities at fair value through OCI.

(3) The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risk at an industry, geographical 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 2019.

					Bank 30 Jun 19
	Impairment provisions, $M				
Portfolio (1) (2)	**Stage 1 12 months ECL Collectively assessed**	**Stage 2 Lifetime ECL Collectively assessed**	**Stage 3 Lifetime ECL Collectively assessed**	**Stage 3 Lifetime ECL Individually assessed**	**Total**
Retail					
Secured lending	234	353	122	261	**970**
Unsecured lending	434	906	200	3	**1,543**
Total retail	668	1,259	322	264	**2,513**
Non-retail					
Corporate and business lending, bank and sovereign entities (3)	135	1,034	121	537	**1,827**
Total (4)	**803**	**2,293**	**443**	**801**	**4,340**

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees and debt securities classified at fair value through OCI.

(2) Impairment provisions exclude $21 million recognised in relation to the Bank's loans to controlled entities.

(3) Stage 1 provision includes $2 million ECL in relation to investment securities at fair value through OCI.

(4) The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risk at an industry, geographical 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 Bank as at 30 June 2019.

9.2 Credit risk (continued)

Prior year comparative credit risk disclosures

The credit risk disclosures on pages 214 to 219 were included in the Financial Report for the year ended 30 June 2018 and do not reflect the adoption of AASB 9 on 1 July 2018. These tables are not directly comparable to the credit risk information as at 30 June 2019 provided under AASB 9 on pages 211 to 213 above.

Distribution of financial instruments by credit quality

The table below segregates financial instruments into neither past due nor impaired, past due but not impaired and impaired. An asset is considered to be past due when a contracted amount, including principal or interest, has not been met when due or it is otherwise outside contracted arrangements. Excluding some retail portfolios, the amount included as past due is the entire contractual balance, rather than the overdue portion.

						Group 30 Jun 18
	Neither Past Due nor Impaired $M	Past due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Net $M
Cash and liquid assets	36,417	-	-	36,417	-	36,417
Receivables due from other financial institutions	9,222	-	-	9,222	-	9,222
Assets at fair value through Income Statement:						
Trading	32,254	-	-	32,254	-	32,254
Insurance	372	-	-	372	-	372
Other	258	-	-	258	-	258
Derivative assets	32,081	-	52	32,133	-	32,133
Available-for-sale investments	82,240	-	-	82,240	-	82,240
Loans, bills discounted and other receivables:						
Australia	628,865	13,071	2,151	644,087	(3,178)	640,909
Overseas	100,904	2,152	886	103,942	(427)	103,515
Bank acceptances	379	-	-	379	-	379
Assets held for sale	11,999	-	-	11,999	-	11,999
Credit related commitments	175,106	-	90	175,196	(28)	175,168
Total	1,110,097	15,223	3,179	1,128,499	(3,633)	1,124,866

9.2 Credit risk (continued)

Prior year comparative credit risk disclosures (continued)

Distribution of financial instruments by credit quality (continued)

	Bank 30 Jun 18					
	Neither Past Due nor Impaired $M	Past Due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Net $M
Cash and liquid assets	33,581	-	-	33,581	-	33,581
Receivables due from other financial institutions	8,376	-	-	8,376	-	8,376
Assets at fair value through Income Statement:						
Trading	29,993	-	-	29,993	-	29,993
Insurance	-	-	-	-	-	-
Other	-	-	-	-	-	-
Derivative assets	30,834	-	51	30,885	-	30,885
Available-for-sale investments	77,731	-	-	77,731	-	77,731
Loans, bills discounted and other receivables:						
Australia	620,641	13,066	2,130	635,837	(3,171)	632,666
Overseas	24,681	23	326	25,030	(90)	24,940
Bank acceptances	379	-	-	379	-	379
Shares in and loans to controlled entities	118,252	-	-	118,252	-	118,252
Credit related commitments	159,521	-	85	159,606	(28)	159,578
Total	1,103,989	13,089	2,592	1,119,670	(3,289)	1,116,381

9.2 Credit risk (continued)

Prior year comparative credit risk disclosures (continued)

Credit quality of loans, bills discounted and other receivables which were neither past due nor impaired

For the analysis below, financial assets that are neither past due nor impaired have been segmented into investment, pass and weak classifications. This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a counterparty's internally assessed PD to S&P Global ratings, reflecting a counterparty's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation. Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. No consideration is given to LGD, the impact of any recoveries or the potential benefit of mortgage insurance.

					Group 30 Jun 18
Credit grading	**Home Loans $M**	**Other Personal $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Investment	307,993	4,608	643	71,525	384,769
Pass	124,371	13,863	7,435	83,185	228,854
Weak	7,567	4,045	243	3,387	15,242
Total Australia	439,931	22,516	8,321	158,097	628,865
Overseas (1)					
Investment	15,471	-	9	23,837	39,317
Pass	32,327	1,544	424	26,078	60,373
Weak	888	-	-	326	1,214
Total overseas	48,686	1,544	433	50,241	100,904
Total loans which were neither past due nor impaired	488,617	24,060	8,754	208,338	729,769

(1) For New Zealand Housing Loans, PDs reflect Reserve Bank of New Zealand requirements resulting in higher PDs on average and lower grading.

9.2 Credit risk (continued)

Prior year comparative credit risk disclosures (continued)

Credit quality of loans, bills discounted and other receivables which were neither past due nor impaired (continued)

					Bank 30 Jun 18
Credit grading	**Home Loans $M**	**Other Personal $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Investment	307,974	4,603	641	70,727	383,945
Pass	117,245	13,847	7,386	83,066	221,544
Weak	7,539	4,039	243	3,331	15,152
Total Australia	432,758	22,489	8,270	157,124	620,641
Overseas					
Investment	65	-	1	18,711	18,777
Pass	295	2	-	5,544	5,841
Weak	-	-	-	63	63
Total overseas	360	2	1	24,318	24,681
Total loans which were neither past due nor impaired	433,118	22,491	8,271	181,442	645,322

9.2 Credit risk (continued)

Prior year comparative credit risk disclosures (continued)

Other financial assets which were neither past due nor impaired

The majority of all other financial assets of the Group and the Bank that were neither past due nor impaired as at 30 June 2018 were of investment grade.

Age analysis of loans, bills discounted and other receivables that are past due but not impaired

For the purposes of this analysis an asset is considered to be past due when any payment under the contractual terms has been missed.

Past due loans are not classified as impaired if no loss to the Group is expected. Unsecured consumer loans are impaired at 90 days past due and may be classified as impaired earlier if non-commercial repayment arrangements are agreed or a related loan is classified as impaired.

					Group
					30 Jun 18
Loans which were past due but not impaired	**Home Loans $M**	**Other Personal [1] $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Past due 1 - 29 days	4,703	550	146	1,170	6,569
Past due 30 - 59 days	1,770	180	38	199	2,187
Past due 60 - 89 days	1,005	121	11	93	1,230
Past due 90 - 179 days	1,410	-	2	140	1,552
Past due 180 days or more	1,292	2	-	239	1,533
Total Australia	10,180	853	197	1,841	13,071
Overseas					
Past due 1 - 29 days	1,227	205	13	268	1,713
Past due 30 - 59 days	162	44	4	7	217
Past due 60 - 89 days	63	19	1	8	91
Past due 90 - 179 days	45	14	2	15	76
Past due 180 days or more	26	7	-	22	55
Total overseas	1,523	289	20	320	2,152
Total loans which were past due but not impaired	11,703	1,142	217	2,161	15,223

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.

9.2 Credit risk (continued)

Prior year comparative credit risk disclosures (continued)

Age analysis of loans, bills discounted and other receivables that are past due but not impaired

					Bank 30 Jun 18
Loans which were past due but not impaired	**Home Loans $M**	**Other Personal [1] $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Past due 1 - 29 days	4,701	550	146	1,170	6,567
Past due 30 - 59 days	1,769	180	38	199	2,186
Past due 60 - 89 days	1,005	121	11	93	1,230
Past due 90 - 179 days	1,409	-	2	140	1,551
Past due 180 days or more	1,291	2	-	239	1,532
Total Australia	10,175	853	197	1,841	13,066
Overseas					
Past due 1 - 29 days	20	-	-	-	20
Past due 30 - 59 days	2	-	-	-	2
Past due 60 - 89 days	-	-	-	-	-
Past due 90 - 179 days	-	-	-	-	-
Past due 180 days or more	-	-	-	1	1
Total overseas	22	-	-	1	23
Total loans which were past due but not impaired	10,197	853	197	1,842	13,089

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.

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.

9.2 Credit risk (continued)

Impaired assets by classification (continued)

					Group
	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M
Australia					
Non-Performing assets:					
Gross balances	**2,217**	1,711	1,962	2,002	1,940
Less provisions for impairment	**(826)**	(694)	(817)	(807)	(775)
Net non-performing assets	**1,391**	1,017	1,145	1,195	1,165
Restructured assets:					
Gross balances	**428**	264	174	221	144
Less provisions for impairment	**(13)**	(4)	-	-	-
Net restructured assets	**415**	260	174	221	144
Unsecured retail products 90 days or more past due:					
Gross balances	**245**	254	251	252	251
Less provisions for impairment	**(199)**	(161)	(157)	(169)	(130)
Net unsecured retail products 90 days or more past due	**46**	93	94	83	121
Net Australia impaired assets	**1,852**	1,370	1,413	1,499	1,430
Overseas					
Non-Performing assets:					
Gross balances	**518**	695	686	560	454
Less provisions for impairment	**(126)**	(176)	(163)	(138)	(112)
Net non-performing assets	**392**	519	523	422	342
Restructured assets:					
Gross balances	**196**	242	101	67	54
Less provisions for impairment	**(6)**	(20)	-	-	-
Net restructured assets	**190**	222	101	67	54
Unsecured retail products 90 days or more past due:					
Gross balances	**18**	13	13	14	12
Less provisions for impairment	**(17)**	(13)	(12)	(13)	(9)
Net unsecured retail products 90 days or more past due	**1**	-	1	1	3
Net Overseas impaired assets	**583**	741	625	490	399
Total net impaired assets	**2,435**	2,111	2,038	1,989	1,829

9.2 Credit risk (continued)

Impaired assets by size

						Group
Impaired assets by size	**Australia 30 Jun 19 $M**	**Overseas 30 Jun 19 $M**	**Total 30 Jun 19 $M**	Australia 30 Jun 18 $M	Overseas 30 Jun 18 $M	Total 30 Jun 18 $M
Less than $1 million	**1,698**	**266**	**1,964**	1,418	139	1,557
$1 million to $10 million	**628**	**147**	**775**	569	197	766
Greater than $10 million	**564**	**319**	**883**	242	614	856
Total (1) (2)	**2,890**	**732**	**3,622**	2,229	950	3,179

Movement in impaired assets

					Group
Movement in gross impaired assets	**30 Jun 19 $M**	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M
Gross impaired assets - opening balance	**3,179**	3,187	3,116	2,855	3,367
New and increased	**2,289**	2,136	2,164	2,370	2,095
Balances written off	**(1,245)**	(1,196)	(1,225)	(1,328)	(1,355)
Returned to performing or repaid	**(1,328)**	(1,666)	(1,637)	(1,460)	(1,903)
Portfolio managed - new/increased/return to performing/repaid	**727**	718	769	679	651
Gross impaired assets - closing balance (1) (2)	**3,622**	3,179	3,187	3,116	2,855

(1) As at 30 June 2019, impaired assets include those assets in Stage 3 that are considered impaired, as well as $139 million of restructured assets in Stage 2. Stage 3 assets include impaired assets and those that are defaulted but not impaired as they are well secured.

(2) Includes $3,454 million of loans and advances and $168 million of other financial assets (30 June 2018: $3,037 million of loans and advances and $142 million of other financial assets).

9.2 Credit risk (continued)

Impaired assets by industry and status

							Group 30 Jun 19
Industry	**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	16,762	-	-	-	-	-	-
Agriculture	9,291	114	(52)	62	59	-	59
Bank and other financial	8,675	6	(15)	(9)	1	-	1
Home loans	467,361	1,596	(272)	1,324	134	(4)	130
Construction	3,238	82	(84)	(2)	44	(1)	43
Other personal	21,508	276	(202)	74	787	(169)	618
Asset financing	7,947	78	(10)	68	17	(2)	15
Other commercial and industrial	118,207	626	(403)	223	126	(14)	112
Total loans - Australia	652,989	2,778	(1,038)	1,740	1,168	(190)	978
Loans - Overseas							
Sovereign	1,436	-	-	-	-	-	-
Agriculture	10,467	298	(46)	252	2	-	2
Bank and other financial	6,637	10	-	10	5	-	5
Home loans	55,581	204	(10)	194	2	(1)	1
Construction	701	1	-	1	2	-	2
Other personal	1,924	16	(20)	(4)	70	(11)	59
Asset financing	416	2	-	2	-	-	-
Other commercial and industrial	30,830	145	(73)	72	152	(4)	148
Total loans - Overseas	107,992	676	(149)	527	233	(16)	217
Total loans	760,981	3,454	(1,187)	2,267	1,401	(206)	1,195
Other balances - Australia							
Credit commitments	146,992	111	-	111	-	-	-
Derivatives	21,182	1	-	1	-	-	-
Total other balances - Australia	168,174	112	-	112	-	-	-
Other balances - Overseas							
Credit commitments	28,814	9	-	9	-	-	-
Derivatives	4,033	47	-	47	-	-	-
Total other balances - Overseas	32,847	56	-	56	-	-	-
Total other balances	201,021	168	-	168	-	-	-
Total	962,002	3,622	(1,187)	2,435	1,401	(206)	1,195

(1) Includes $895 million of individually assessed provisions and $292 million of collective provisions. Provisions for impaired assets include $9 million for restructured assets in Stage 2.

(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.

9.2 Credit risk (continued)

Impaired assets by industry and status (continued)

							Group 30 Jun 18
Industry	**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	16,823	-	-	-	-	-	-
Agriculture	8,998	94	(56)	38	28	-	28
Bank and other financial	12,951	7	(16)	(9)	3	(1)	2
Home loans	451,367	1,256	(236)	1,020	126	(2)	124
Construction	3,028	16	(21)	(5)	13	-	13
Other personal	23,658	289	(171)	118	764	(165)	599
Asset financing	8,581	63	(16)	47	23	(5)	18
Other commercial and industrial	118,681	426	(343)	83	179	(14)	165
Total loans - Australia	644,087	2,151	(859)	1,292	1,136	(187)	949
Loans - Overseas							
Sovereign	1,571	-	-	-	-	-	-
Agriculture	9,930	365	(25)	340	3	-	3
Bank and other financial	7,075	9	-	9	5	-	5
Home loans	50,298	89	(5)	84	2	(1)	1
Construction	638	1	(1)	-	1	(1)	-
Other personal	1,844	11	(33)	(22)	65	(10)	55
Asset financing	457	4	-	4	-	-	-
Other commercial and industrial	32,129	407	(145)	262	207	(2)	205
Total loans - Overseas	103,942	886	(209)	677	283	(14)	269
Total loans	748,029	3,037	(1,068)	1,969	1,419	(201)	1,218
Other balances - Australia							
Credit commitments	145,820	75	-	75	-	-	-
Derivatives	24,021	3	-	3	-	-	-
Total other balances - Australia	169,841	78	-	78	-	-	-
Other balances - Overseas							
Credit commitments	29,376	15	-	15	-	-	-
Derivatives	8,112	49	-	49	-	-	-
Total other balances - Overseas	37,488	64	-	64	-	-	-
Total other balances	207,329	142	-	142	-	-	-
Total	955,358	3,179	(1,068)	2,111	1,419	(201)	1,218

(1) Includes $870 million of individually assessed provisions and $198 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.

9.2 Credit risk (continued)

Collateral held against loans, bills discounted and other receivables

					Group 30 Jun 19
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Total (1)
Maximum exposure ($M)	522,942	23,432	8,363	206,244	**760,981**
Collateral classification:					
Secured (%)	99. 1	12. 2	98. 7	49. 0	**83. 4**
Partially secured (%)	0. 9	-	1. 3	15. 7	**4. 8**
Unsecured (%)	-	87. 8	-	35. 3	**11. 8**

(1) As at 30 June 2019, total exposures in ECL Stage 3 were $6,610 million. 60% of these exposures were secured, 26% partially secured and 14% unsecured.

					Group 30 Jun 18
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Total
Maximum exposure ($M)	501,665	25,502	9,038	211,824	748,029
Collateral classification:					
Secured (%)	99. 1	12. 4	99. 4	44. 7	81. 2
Partially secured (%)	0. 9	-	0. 6	15. 3	4. 9
Unsecured (%)	-	87. 6	-	40. 0	13. 9

					Bank 30 Jun 19
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Total (1)
Maximum exposure ($M)	460,031	21,497	7,900	176,306	**665,734**
Collateral classification:					
Secured (%)	99. 0	13. 0	98. 4	46. 5	**82. 9**
Partially secured (%)	1. 0	-	1. 6	15. 2	**4. 6**
Unsecured (%)	-	87. 0	-	38. 3	**12. 5**

(1) As at 30 June 2019, total exposures in ECL Stage 3 were $5,809 million. 65% of these exposures were secured, 20% partially secured and 15% unsecured.

					Bank 30 Jun 18
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Total
Maximum exposure ($M)	444,583	23,633	8,531	184,120	660,867
Collateral classification:					
Secured (%)	99. 1	13. 4	99. 2	40. 7	79. 6
Partially secured (%)	0. 9	-	0. 8	14. 7	4. 8
Unsecured (%)	-	86. 6	-	44. 6	15. 6

For the purposes of the collateral classification above, home loans are classified as secured unless they are impaired 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%.

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 properties. Further, with the exception of some relatively small portfolios, for loans with a Loan to Valuation Ratio (LVR) of higher than 80% either a Low Deposit Premium or margin is levied, or Lenders Mortgage Insurance (LMI) is taken out to cover the difference between the principal plus interest owing and the net amount received from selling the collateral post default.

9.2 Credit risk (continued)

Collateral held against loans, bills discounted and other receivables (continued)

Personal lending

Personal lending (such as credit cards and personal loans) are predominantly unsecured, whilst margin lending is secured.

Asset finance

The Group leases assets to corporate and retail clients. When the title to the underlying assets is held by the Group as collateral, the balance is deemed fully secured. In other instances, a client's facilities may be secured by collateral valued at less than the carrying amount of the credit exposure. These facilities are deemed partly secured or unsecured.

Other commercial and industrial lending

The Group's main collateral types for other commercial and industrial lending consists of secured rights over specified assets of the borrower in the form of: commercial property; land rights; cash (usually in the form of a charge over a deposit); guarantees by company Directors; a charge over a company's assets (including debtors, inventory and work in progress); or a charge over shares. In other instances, a client's facilities may be secured by collateral with value less than the carrying amount of the credit exposure. These facilities are deemed partly secured or unsecured.

9.3 Market risk

Market risk measurement

The Group uses Value-at-Risk (VaR) as one of the measures of Traded and Non-traded market risk. VaR measures potential loss using historically observed market movements and correlation between different markets.

VaR is modelled at a 97.5% confidence level. This means that there is a 97.5% probability that the loss will not exceed the VaR estimate on any given day.

The VaR measured for Traded market risk uses two years of daily movement in market rates. The VaR measure for Non-traded Banking Book market risk uses six years of daily movement in market rates. The VaR measure for the insurance business is a forward-looking measure based on ten thousand simulations, which are calibrated to current market conditions and past price movements.

A 1-day holding period is used for trading book positions. A 20- day holding period is used for Interest Rate Risk in the Banking Book, insurance business market risk and Non-traded equity risk.

VaR is driven by historical observations and is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses stress testing to measure the potential for economic loss at confidence levels significantly higher than 97.5%. Management then uses these results in decisions to manage the economic impact of market risk positions.

Total Market Risk VaR (1-day 97.5% confidence)	**Average June 2019 (1) $M**	**As at June 2019 $M**	Average June 2018 (1) $M	As at June 2018 $M
Traded Market Risk	**9. 9**	**9. 5**	11. 1	13. 3
Non-Traded Interest Rate Risk (2)	**36. 7**	**36. 3**	43. 1	37. 6
Non-Traded Equity Risk (2)	**4. 9**	**5. 0**	5. 3	4. 7
Non-Traded Insurance Market Risk (2)	**5. 1**	**5. 6**	5. 4	5. 6

(1) Average VaR calculated for each 12 month period.

(2) The risk of these exposures has been represented in this table using a one day holding period. In practice however, these 'non-traded' exposures are managed to a longer holding period.

Traded market risk

Traded market risk is generated through the Group's participation in financial markets to service its customers. The Group trades and distributes interest rate, foreign exchange, debt, equity and commodity products, and provides treasury, capital markets and risk management services to its customers globally.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury, capital market and risk management instruments, including a broad range of securities and derivatives.

Traded Market Risk VaR (1-day 97.5% confidence)	**Average June 2019 (1) $M**	**As at June 2019 $M**	Average June 2018 (1) $M	As at June 2018 $M
Interest rate risk	**7. 6**	**9. 0**	8. 4	12. 5
Foreign exchange risk	**1. 9**	**3. 6**	2. 2	2. 7
Equities risk	**0. 1**	**0. 1**	0. 2	0. 1
Commodities risk	**3. 1**	**3. 3**	3. 2	3. 6
Credit spread risk	**1. 7**	**1. 3**	2. 0	1. 4
Diversification benefit	**(6. 9)**	**(10. 0)**	(7. 7)	(9. 4)
Total general market risk	**7. 5**	**7. 3**	8. 3	10. 9
Undiversified risk	**2. 2**	**2. 1**	2. 5	2. 3
ASB Bank	**0. 2**	**0. 1**	0. 3	0. 1
Total	**9. 9**	**9. 5**	11. 1	13. 3

(1) Average VaR calculated for each 12 month period.

Non-traded market risk

Interest rate risk in the banking book

Interest rate risk is the current and prospective impact to the Group's financial condition due to adverse changes in interest rates to which the Group's Balance Sheet is exposed. The maturity transformation activities of the Group create mismatches in the repricing terms of assets and liabilities positions. These mismatches may have undesired earnings and value outcomes depending on the interest rate movements. The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long-term.

The Group measures and manages the impact of interest rate risk in two ways:

(a) Next 12 months' earnings

Interest rate risk from an earnings perspective is the impact based on changes to the net interest income over the next 12 months.

The risk to net interest income over the next 12 months from changes in interest rates is measured on a monthly basis.

Earnings risk is measured through sensitivity analysis, which applies an instantaneous 100 basis point parallel shock in interest rates across the yield curve.

The prospective change to the net interest income is measured by using an Asset and Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change in the Balance Sheet product mix, growth, funding and pricing strategies is incorporated.

Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied.

9.3 Market risk (continued)

Non-Traded Market Risk (continued)

Interest rate risk in the banking book (continued)

Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Group and repricing behaviours of customers. In addition to considering how the products have been repriced in the past the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analysis.

The figures in the following table represent the potential unfavourable change to the Group's net interest earnings during the year based on a 100 basis point parallel rate shock.

Net Interest Earnings at Risk		June 2019 (1) $M	June 2018 $M
Average monthly exposure	AUD	**421. 9**	229. 2
	NZD (2)	**8. 0**	23. 3
High monthly exposure	AUD	**558. 0**	311. 5
	NZD (2)	**15. 5**	44. 3
Low monthly exposure	AUD	**217. 8**	120. 2
	NZD (2)	**1. 1**	4. 3
As at balance date	AUD	**450. 3**	231. 4
	NZD (2)	**8. 3**	10. 5

(1) Exposures over a 12 month period. NZD exposures are presented in NZD.
(2) Net interest earnings at risk for NZD decreased during the period due to an update to products classified as sensitive to interest rate changes.

(b) Economic value

Interest rate risk from the economic value perspective is based on a 20-day 97.5% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long-term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the VaR methodology.

A 20-day 97.5% VaR measure is used to capture the net economic value impact over the long-term or total life of all Balance Sheet assets and liabilities to adverse changes in interest rates.

The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

Non-Traded Interest Rate VaR (20 day 97.5% confidence) (2)	Average June 2019 (1) $M	Average June 2018 (1) $M
AUD Interest rate risk	**164. 1**	192. 9
NZD Interest rate risk (3)	**2. 2**	3. 3

(1) Average VaR calculated for each 12 month period.
(2) VaR is only for entities that have material risk exposure.
(3) ASB data (expressed in NZD) is for the month-end date.

Non-traded equity risk

The Group retains Non-Traded equity risk primarily through business activities in Wealth Management.

A 20-day, 97.5% confidence VaR is used to measure the economic impact of adverse changes in value.

Non-Traded Equity VaR (20 day 97.5% confidence)	As at June 2019 $M	As at June 2018 $M
VaR	**22. 4**	21. 2

Market risk in insurance businesses

There are two main sources of market risk in the life insurance businesses: (i) market risk arising from guarantees made to policyholders; and (ii) market risk arising from the investment of Shareholders' capital.

Guarantees (to policyholders)

All financial assets within the life Insurance Statutory Funds directly support either the Group's life insurance or life investment contracts. Market risk arises for the Group on contracts where the liabilities to policyholders are guaranteed by the Group. The Group manages this risk by having an asset and liability management framework which includes the use of hedging instruments. The Group also monitors the risk on a monthly basis.

Shareholders' capital

A portion of financial assets held within the Insurance business, both within the Statutory Funds and in the Shareholder Funds of the life insurance company represents shareholder (Group) capital. Market risk also arises for the Group on the investment of this capital. Shareholders' funds in the Australian life insurance businesses are invested 99% in income assets (cash and fixed interest) and 1% in growth assets as at 30 June 2019.

A 20-day 97.5% VaR measure is used to capture the Non-traded market risk exposures.

Non-Traded VaR in Australian Life Insurance Business (1) (20 day 97.5% confidence)	Average June 2019 (2) $M	Average June 2018 (2) $M
Shareholder funds (3)	**1. 1**	1. 1
Guarantees (to Policyholders) (4)	**22. 8**	23. 6

(1) On 21 September 2017, the Group announced the sale of 100% of its Australian life insurance business (CommInsure Life) to AIA. CommInsure Life is presented as a discontinued operation with assets and liabilities reclassified as held for sale as at 30 June 2019 and 30 June 2018. For further details, see Note 11.3.
(2) Average VaR calculated for each 12 month period.
(3) VaR in relation to the investment of shareholder funds.
(4) VaR in relation to product portfolios where the Group has guaranteed liabilities to policyholders.

9.3 Market risk (continued)

Structural foreign exchange risk

Structural foreign exchange risk is the risk that movements in foreign exchange rates may have an adverse effect on the Group's Australian dollar earnings and economic value when the Group's foreign currency denominated earnings and capital are translated into Australian dollars. The Group's only material exposure to this risk arises from its New Zealand banking and insurance, Asian and US operations.

Lease residual value risk

The Group takes lease residual value risk on assets such as industrial, mining, rail, aircraft, marine, technology, healthcare and other equipment. A lease residual value guarantee exposes the Group to the movement in second-hand prices of these assets.

Commonwealth Bank Group Super Fund

The Commonwealth Bank Group Super Fund (the Fund) has a defined benefit portion that creates market risk for the Group.

Risk Management and Human Resources provide oversight of the market risks of the Fund held and managed on behalf of the employees receiving defined benefit pension funds on behalf of the Group (refer to Note 10.2).

9.4 Liquidity and funding risk

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due by ensuring it is able to borrow funds on an unsecured basis, has sufficient liquid assets to borrow against on a secured basis, or sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

Liquidity and funding risk management framework

The CBA Board is ultimately responsible for the sound and prudent management of liquidity risk across the Group. The Group's liquidity and funding policies, structured under a formal Group Liquidity and Funding Risk Management Framework, are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee (ALCO) the charter of which includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's liquidity policies and has ultimate authority to execute liquidity decisions should the Group Contingent Funding Plan be activated. Group Risk Management provides oversight of the Group's liquidity and funding risks and compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Colonial Holding Company Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank, manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the Reserve Bank of New Zealand.

Liquidity and funding policies and management

The Group's liquidity and funding policies provide that:

- An excess of liquid assets over the minimum prescribed under APRA's Liquidity Coverage Ratio (LCR) requirement is maintained. Australian ADIs are required to meet a 100% LCR, calculated as the ratio of high quality liquid assets to 30 day net cash outflows projected under a prescribed stress scenario;
- A surplus of stable funding from various sources, as measured by APRA's Net Stable Funding Ratio (NSFR), is maintained. The NSFR is calculated by applying APRA prescribed factors to assets and liabilities to determine a ratio of required stable funding to available stable funding which must be greater than 100%;
- Additional internal funding and liquidity metrics are also calculated and stress tests additional to the LCR are run;
- Short and long-term wholesale funding limits are established, monitored and reviewed regularly;
- The Group's wholesale funding market capacity is regularly assessed and used as a factor in funding strategies;
- Balance Sheet assets that cannot be liquidated quickly are funded with stable deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government securities. The second includes Negotiable Certificates of Deposit, bank bills, bank term securities, supranational bonds, Australian Residential Mortgage-backed Securities (RMBS) and securities that meet certain Reserve Bank of Australia (RBA) criteria for purchases under reverse repo. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA under stress; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets to meet required obligations.

9.4 Liquidity and funding risk (continued)

Liquidity and funding policies and management (continued)

The Group's key funding tools include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Its small business customer and institutional deposit base; and
- Its wholesale international and domestic funding programs which include its Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper programs; US Extendible Notes programs; Australian dollar Domestic Debt Program; U.S.144a and 3a2 Medium-Term Note Programs; Euro Medium-Term Note Program; multi jurisdiction Covered Bond program; and its Medallion securitisation program.

The Group's key liquidity tools include:

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

9.4 Liquidity and funding risk (continued)

Maturity analysis of monetary liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	Group					
	Maturity Period as at 30 June 2019					
	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings (1)	524,555	105,532	6,903	676	-	637,666
Payables due to other financial institutions	19,486	3,902	41	-	-	23,429
Liabilities at fair value through Income Statement	4,590	2,299	621	1,244	-	8,754
Derivative financial instruments:						
Held for trading	17,925	-	-	-	-	17,925
Held for hedging purposes (net-settled)	59	293	829	714	-	1,895
Held for hedging purposes (gross-settled):						
Outflows	2,391	14,346	35,918	26,791	-	79,446
Inflows	(2,264)	(13,642)	(34,332)	(26,250)	-	(76,488)
Bank acceptances	32	-	-	-	-	32
Insurance policy liabilities	-	-	-	-	-	-
Debt issues and loan capital	17,913	36,163	89,164	53,483	-	196,723
Managed funds units on issue	-	-	-	-	-	-
Other monetary liabilities	5,657	374	495	58	-	6,584
Liabilities held for sale	561	169	956	491	13,052	15,229
Total monetary liabilities	590,905	149,436	100,595	57,207	13,052	911,195
Guarantees (2)	6,506	-	-	-	-	6,506
Loan commitments (2)	162,202	-	-	-	-	162,202
Other commitments (2)	7,098	-	-	-	-	7,098
Total off Balance Sheet items	175,806	-	-	-	-	175,806
Total monetary liabilities and off Balance Sheet items	766,711	149,436	100,595	57,207	13,052	1,087,001

	Group (3)					
	Maturity Period as at 30 June 2018					
	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings (1)	502,021	103,788	17,587	489	-	623,885
Payables due to other financial institutions	18,064	2,827	-	44	-	20,935
Liabilities at fair value through Income Statement	6,622	1,747	524	1,441	-	10,334
Derivative financial instruments:						
Held for trading	21,771	-	-	-	-	21,771
Held for hedging purposes (net-settled)	19	155	1,238	838	-	2,250
Held for hedging purposes (gross-settled):						
Outflows	644	13,185	34,427	20,938	-	69,194
Inflows	(614)	(11,825)	(32,652)	(19,651)	-	(64,742)
Bank acceptances	331	48	-	-	-	379
Insurance policy liabilities	-	-	-	-	451	451
Debt issues and loan capital	18,597	43,784	96,080	46,296	-	204,757
Managed funds units on issue	-	-	-	-	-	-
Other monetary liabilities	6,582	903	96	23	-	7,604
Liabilities held for sale	182	572	274	143	12,886	14,057
Total monetary liabilities	574,219	155,184	117,574	50,561	13,337	910,875
Guarantees (2)	6,265	-	-	-	-	6,265
Loan commitments (2)	162,090	-	-	-	-	162,090
Other commitments (2)	6,841	-	-	-	-	6,841
Total off Balance Sheet items	175,196	-	-	-	-	175,196
Total monetary liabilities and off Balance Sheet items	749,415	155,184	117,574	50,561	13,337	1,086,071

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

9.4 Liquidity and funding risk (continued)

Maturity analysis of monetary liabilities (continued)

Bank

Maturity Period as at 30 June 2019

	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings (1)	483,254	86,453	4,781	594	-	575,082
Payables due to other financial institutions	18,734	3,902	41	-	-	22,677
Liabilities at fair value through Income Statement	4,588	1,736	621	1,244	-	8,189
Derivative financial instruments:						
Held for trading	20,732	-	-	-	-	20,732
Held for hedging purposes (net-settled)	19	167	917	697	-	1,800
Held for hedging purposes (gross-settled):						
Outflows	1,846	13,444	41,604	31,830	-	88,724
Inflows	(1,744)	(12,767)	(39,565)	(30,526)	-	(84,602)
Bank acceptances	32	-	-	-	-	32
Debt issues and loan capital	16,603	30,046	70,125	45,362	-	162,136
Due to controlled entities	5,196	6,311	24,499	69,768	-	105,774
Other monetary liabilities	5,539	335	458	55	-	6,387
Total monetary liabilities	554,799	129,627	103,481	119,024	-	906,931
Guarantees (2)	6,026	-	-	-	-	6,026
Loan commitments (2)	146,483	-	-	-	-	146,483
Other commitments (2)	6,944	-	-	-	-	6,944
Total off Balance Sheet items	159,453	-	-	-	-	159,453
Total monetary liabilities and off Balance Sheet items	714,252	129,627	103,481	119,024	-	1,066,384

Bank (3)

Maturity Period as at 30 June 2018

	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings (1)	464,588	88,005	14,496	468	-	567,557
Payables due to other financial institutions	17,197	2,808	-	44	-	20,049
Liabilities at fair value through Income Statement	5,480	1,747	524	1,441	-	9,192
Derivative financial instruments:						
Held for trading	24,026	-	-	-	-	24,026
Held for hedging purposes (net-settled)	11	47	996	822	-	1,876
Held for hedging purposes (gross-settled):						
Outflows	644	17,173	34,868	22,579	-	75,264
Inflows	(614)	(15,189)	(33,192)	(21,302)	-	(70,297)
Bank acceptances	331	48	-	-	-	379
Debt issues and loan capital	15,333	37,730	78,067	39,379	-	170,509
Due to controlled entities	6,174	6,070	24,411	68,672	-	105,327
Other monetary liabilities	6,274	779	65	10	-	7,128
Total monetary liabilities	539,444	139,218	120,235	112,113	-	911,010
Guarantees (2)	5,835	-	-	-	-	5,835
Loan commitments (2)	147,098	-	-	-	-	147,098
Other commitments (2)	6,673	-	-	-	-	6,673
Total off Balance Sheet items	159,606	-	-	-	-	159,606
Total monetary liabilities and off Balance Sheet items	699,050	139,218	120,235	112,113	-	1,070,616

(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.

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

9.5 Disclosures about fair values

Fair value hierarchy for financial assets and liabilities measured at fair value

The classification in the fair value hierarchy of the Group's and the Bank's financial assets and liabilities measured at fair value is presented in the tables below. An explanation of how fair values are calculated and the levels in the fair value hierarchy are included in the accounting policy within this note.

								Group
	Fair Value as at 30 June 2019				Fair Value as at 30 June 2018			
	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	24,599	7,907	-	**32,506**	22,078	10,176	-	32,254
Insurance (1)	-	-	-	**-**	-	372	-	372
Other	319	852	-	**1,171**	49	209	-	258
Derivative assets	59	25,072	84	**25,215**	42	31,998	93	32,133
Investment securities at fair value through Other Comprehensive Income	77,193	1,666	53	**78,912**	-	-	-	-
Available-for-sale investments	-	-	-	**-**	74,234	7,941	65	82,240
Bills discounted	-	-	-	**-**	4,280	-	-	4,280
Assets held for sale (1)	934	7,631	2,339	**10,904**	2,012	8,061	1,818	11,891
Total financial assets measured at fair value	103,104	43,128	2,476	**148,708**	102,695	58,757	1,976	163,428
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	1,583	6,937	-	**8,520**	1,724	8,523	-	10,247
Derivative liabilities	132	22,579	66	**22,777**	57	28,075	340	28,472
Life investment contracts (1)	-	-	-	**-**	-	337	-	337
Liabilities held for sale (1)	3	6,325	496	**6,824**	5	6,985	353	7,343
Total financial liabilities measured at fair value	1,718	35,841	562	**38,121**	1,786	43,920	693	46,399

(1) As at 30 June 2019, assets and liabilities of CommInsure Life, CFSGAM, PT Commonwealth Life, Count Financial and the Group's investment in BoCommLife are presented as held for sale. As at 30 June 2018, assets and liabilities of CommInsure Life, Sovereign and the Group's investment in BoCommLife are presented as held for sale.

9.5 Disclosures about fair values (continued)

Fair value hierarchy for financial assets and liabilities measured at fair value (continued)

								Bank
	Fair Value as at 30 June 2019				Fair Value as at 30 June 2018			
	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	24,569	7,907	-	**32,476**	20,813	9,180	-	29,993
Other	-	652	-	**652**	-	-	-	-
Derivative assets	56	24,171	84	**24,311**	41	30,751	93	30,885
Investment securities at fair value through Other Comprehensive Income	72,479	680	53	**73,212**	-	-	-	-
Available-for-sale investments	-	-	-	**-**	69,988	7,678	65	77,731
Bills discounted	-	-	-	**-**	4,280	-	-	4,280
Total financial assets measured at fair value	97,104	33,410	137	**130,651**	95,122	47,609	158	142,889
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	1,583	6,378	-	**7,961**	1,724	7,382	-	9,106
Derivative liabilities	132	26,456	66	**26,654**	57	30,474	340	30,871
Total financial liabilities measured at fair value	1,715	32,834	66	**34,615**	1,781	37,856	340	39,977

9.5 Disclosures about fair values (continued)

Analysis of movements between fair value hierarchy levels

During the year ended 30 June 2018, $1,722 million of trading securities were reclassified from Level 2 to Level 1 due to changes in the observability of inputs. 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 2019

								Group
	Financial Assets					Financial Liabilities		
	Insurance Assets	Derivative Assets	Investment Securities at Fair Value through OCI	Available for Sale Investments	Assets held for Sale (1)	Derivative Liabilities	Life Investment Contracts	Liabilities held for Sale (1)
	$M	$M	$M	$M	$M	$M	$M	$M
As at 1 July 2017	1,530	67	-	139	-	(102)	(565)	-
Purchases	618	-	-	-	-	-	-	-
Sales/(settlements) (2)	(208)	(18)	-	(100)	-	14	212	-
Gains/(losses) in the year:								
Recognised in the Income Statement	(122)	(15)	-	-	-	(144)	-	-
Recognised in the Statement of Comprehensive Income	-	-	-	-	-	-	-	-
Transfers in	-	59	-	26	1,818	(108)	-	(353)
Transfers out	(1,818)	-	-	-	-	-	353	-
As at 30 June 2018	-	93	-	65	1,818	(340)	-	(353)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2018	(103)	(15)	-	-	-	(144)	-	-
As at 1 July 2018	-	93	-	65	1,818	(340)	-	(353)
Changes on adoption of new accounting standard (3)	-	-	65	(65)	-	-	-	-
Purchases	-	15	-	-	499	-	-	-
Sales/(settlements)	-	-	(8)	-	-	-	-	-
Gains/(losses) in the year:								
Recognised in the Income Statement	-	(5)	-	-	22	198	-	-
Recognised in the Statement of Comprehensive Income	-	-	(4)	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	(143)
Transfers out	-	(19)	-	-	-	76	-	-
As at 30 June 2019	-	84	53	-	2,339	(66)	-	(496)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2019	-	22	-	-	22	175	-	-

(1) As at 30 June 2019, assets and liabilities of CommInsure Life, CFSGAM, PT Commonwealth Life, Count Financial and the Group's investment in BoCommLife are presented as held for sale. As at 30 June 2018, assets and liabilities of CommInsure Life, Sovereign and the Group's investment in BoCommLife were presented as held for sale.

(2) Sales/ settlements includes the impact of changing fund ownership percentage held via the Group's life insurance operations.

(3) Current year balances reflect the adoption of AASB 9 'Financial Instruments' on 1 July 2018. As permitted by AASB 9 comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1. Level 3 available-for-sale securities were reclassified to Investment securities measured at fair value through other comprehensive income on adoption of AASB 9 on 1 July 2018.

9.5 Disclosures about fair values (continued)

Analysis of movements between fair value hierarchy levels (continued)

Level 3 movement analysis for the year ended 30 June 2019 (continued)

The valuation of insurance assets directly impacts the life investment contracts they are backing. The Group's exposure to other financial instruments measured at fair value based in full or in part or non-market observable inputs is restricted to a small number of financial instruments, which comprise an insignificant component of the portfolios to which they belong. As such, changes in fair value assumptions on all these instruments due to size or backing by policy holder funds generally have minimal impact on the Group's Income Statement and Shareholders' Equity.

	Financial Assets			Bank Financial Liabilities
	Derivative Assets	Investment Securities at Fair Value through OCI	Available for Sale Investments	Derivative Liabilities
	$M	$M	$M	$M
As at 1 July 2017	67	-	139	(103)
Purchases	-	-	-	-
Sales/(settlements)	(18)	-	(100)	15
Gains/(losses) in the period:				
Recognised in the Income Statement	(15)	-	-	(144)
Recognised in the Statement of Comprehensive Income	-	-	-	-
Transfers in	59	-	26	(108)
Transfers out	-	-	-	-
As at 30 June 2018	93	-	65	(340)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2018	(15)	-	-	(144)
As at 1 July 2018	93	-	65	(340)
Changes on adoption of new accounting standard (1)	-	65	(65)	-
Purchases	15	-	-	-
Sales/(settlements)	-	(8)	-	-
Gains/(losses) in the period:				
Recognised in the Income Statement	(5)	-	-	198
Recognised in the Statement of Comprehensive Income	-	(4)	-	-
Transfers in	-	-	-	-
Transfers out	(19)	-	-	76
As at 30 June 2019	84	53	-	(66)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2019	22	-	-	175

(1) Current year balances reflect the adoption of AASB 9 'Financial Instruments' on 1 July 2018. As permitted by AASB 9 comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1. Level 3 available-for-sale securities were reclassified to Investment securities measured at fair value through other comprehensive income on adoption of AASB 9 on 1 July 2018.

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:

					Group 30 Jun 19
	Carrying value		**Fair value**		
	Total $M	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	**29,387**	16,655	12,732	-	**29,387**
Receivables due from other financial institutions	**8,093**	-	8,093	-	**8,093**
Investment securities at amortised cost	**7,355**	-	7,330	15	**7,345**
Loans and other receivables	**755,141**	-	-	755,515	**755,515**
Bank acceptances of customers	**32**	32	-	-	**32**
Other assets	**5,431**	1,893	3,532	6	**5,431**
Assets held for sale	**699**	354	326	19	**699**
Total financial assets	**806,138**	18,934	32,013	755,555	**806,502**
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	**636,040**	-	636,465	18	**636,483**
Payables due to other financial institutions	**23,370**	-	23,370	-	**23,370**
Bank acceptances	**32**	32	-	-	**32**
Debt issues	**163,990**	-	164,295	-	**164,295**
Bills payable and other liabilities	**8,236**	2,414	5,822	-	**8,236**
Loan capital	**22,966**	9,477	14,168	-	**23,645**
Liabilities held for sale	**3,963**	-	1,831	2,132	**3,963**
Total financial liabilities	**858,597**	11,923	845,951	2,150	**860,024**
Financial guarantees, loan commitments and other off Balance Sheet instruments	**171,084**	-	-	171,084	**171,084**

9.5 Disclosures about fair values (continued)

Fair value information for financial instruments not measured at fair value (continued)

					Group 30 Jun 18
	Carrying value	Fair value			
	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	36,417	22,896	13,521	-	36,417
Receivables due from other financial institutions	9,222	-	9,222	-	9,222
Loans and other receivables	739,085	-	-	739,545	739,545
Bank acceptances of customers	379	379	-	-	379
Other assets	5,455	1,823	3,630	2	5,455
Assets held for sale	192	107	85	-	192
Total financial assets	790,750	25,205	26,458	739,547	791,210
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	622,234	-	622,327	-	622,327
Payables due to other financial institutions	20,899	-	20,899	-	20,899
Bank acceptances	379	379	-	-	379
Debt issues	172,294	-	173,895	-	173,895
Bills payable and other liabilities (1)	9,326	2,459	6,867	-	9,326
Loan capital	22,992	9,566	14,131	-	23,697
Liabilities held for sale	2,621	13	923	1,685	2,621
Total financial liabilities	850,745	12,417	839,042	1,685	853,144
Financial guarantees, loan commitments and other off Balance Sheet instruments	170,586	-	-	170,586	170,586

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

9.5 Disclosures about fair values (continued)

Fair value information for financial instruments not measured at fair value (continued)

	Carrying value	Fair value			
	Bank 30 Jun 19				
	Total $M	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	**26,912**	15,534	11,378	-	**26,912**
Receivables due from other financial institutions	**7,334**	-	7,334	-	**7,334**
Investment securities at amortised cost	**7,349**	-	7,340	9	**7,349**
Loans and other receivables	**660,476**	-	-	660,660	**660,660**
Bank acceptances of customers	**32**	32	-	-	**32**
Loans to controlled entities	**120,193**	-	-	113,029	**113,029**
Other assets	**4,158**	1,324	2,829	5	**4,158**
Total financial assets	**826,454**	16,890	28,881	773,703	**819,474**
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	**573,851**	-	574,164	18	**574,182**
Payables due to other financial institutions	**22,618**	-	22,618	-	**22,618**
Bank acceptances	**32**	32	-	-	**32**
Due to controlled entities	**105,774**	-	-	105,774	**105,774**
Debt issues	**131,062**	-	132,071	-	**132,071**
Bills payable and other liabilities	**6,403**	1,774	4,629	-	**6,403**
Loan capital	**22,569**	9,483	13,764	-	**23,247**
Total financial liabilities	**862,309**	11,289	747,246	105,792	**864,327**
Financial guarantees, loan commitments and other off Balance Sheet instruments	**154,731**	-	-	154,731	**154,731**

9.5 Disclosures about fair values (continued)

Fair value information for financial instruments not measured at fair value (continued)

					Bank 30 Jun 18
	Carrying value		Fair value		
	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	33,581	21,351	12,230	-	33,581
Receivables due from other financial institutions	8,376	-	8,376	-	8,376
Loans and other receivables	652,370	-	-	652,794	652,794
Bank acceptances of customers	379	379	-	-	379
Loans to controlled entities	106,431	-	-	106,509	106,509
Other assets	4,717	1,398	3,317	2	4,717
Total financial assets	805,854	23,128	23,923	759,305	806,356
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	566,200	-	566,200	-	566,200
Payables due to other financial institutions	20,014	-	20,014	-	20,014
Bank acceptances	379	379	-	-	379
Due to controlled entities	105,327	-	-	105,309	105,309
Debt issues	139,984	-	142,064	-	142,064
Bills payable and other liabilities (1)	7,455	1,942	5,513	-	7,455
Loan capital	22,249	9,561	13,373	-	22,934
Total financial liabilities	861,608	11,882	747,164	105,309	864,355
Financial guarantees, loan commitments and other off Balance Sheet instruments	155,012	-	-	155,012	155,012

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

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, financial institution and corporate bonds, certificates of deposit, bank bills, listed equities and exchange traded derivatives.

Valuation technique using observable inputs – Level 2

This category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are commercial papers, mortgage-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and FX options.

Valuation technique using significant unobservable inputs – Level 3

This category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility. Financial instruments included in this category for the Group and Bank are assets backing insurance liabilities held through infrastructure funds, certain exotic OTC derivatives and certain asset-backed securities valued using unobservable inputs.

Accounting policies (continued)

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 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Cash	**6,147**	6,884	**5,568**	6,155
Securities	**12,732**	13,520	**11,379**	12,230
Collateral held	**18,879**	20,404	**16,947**	18,385
Collateral held which is re-pledged or sold	**-**	-	**-**	-

Assets pledged

As part of standard terms of transactions with other banks, the Group has provided collateral to secure liabilities. At Balance Sheet date, the carrying value of assets pledged as collateral to secure liabilities were as follows:

		Group		**Bank**
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Cash	**5,837**	6,064	**5,781**	5,679
Securities (1)	**21,022**	15,495	**21,138**	15,604
Assets pledged	**26,859**	21,559	**26,919**	21,283
Asset pledged which can be re-pledged or re-sold by counterparty	**21,022**	15,495	**21,138**	15,604

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 4.1.

The Group and the Bank have pledged collateral as part of entering 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 19
	Subject to Enforceable Master Netting or Similar Agreements							
	Amounts offset on the Balance Sheet			**Amounts not offset on the Balance Sheet**				
Financial Instruments	**Gross Balance Sheet Amount $M**	**Amount offset [1] $M**	**Reported on the Balance Sheet $M**	**Financial Instruments [2] $M**	**Financial Collateral (Received)/Pledged [2] $M**	**Net Amount $M**	**Not subject to Netting Agreements $M**	**Total Balance Sheet amount $M**
Derivative assets	40,913	(17,801)	23,112	(14,318)	(5,095)	3,699	2,103	**25,215**
Securities purchased under agreements to resell	12,732	-	12,732	(565)	(12,146)	21	-	**12,732**
Equity securities sold not delivered	661	(313)	348	-	-	348	-	**348**
Total financial assets	54,306	(18,114)	36,192	(14,883)	(17,241)	4,068	2,103	**38,295**
Derivative liabilities	(42,756)	20,727	(22,029)	14,318	4,086	(3,625)	(748)	**(22,777)**
Securities sold under agreements to repurchase	(19,099)	-	(19,099)	565	18,534	-	-	**(19,099)**
Equity securities purchased not delivered	(821)	313	(508)	-	-	(508)	-	**(508)**
Total financial liabilities	(62,676)	21,040	(41,636)	14,883	22,620	(4,133)	(748)	**(42,384)**

(1) The net offset balance of $2,926 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.

9.7 Offsetting financial assets and financial liabilities (continued)

	Subject to Enforceable Master Netting or Similar Agreements							Group 30 Jun 18
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
Financial Instruments	**Gross Balance Sheet Amount $M**	**Amount offset (1) $M**	**Reported on the Balance Sheet $M**	**Financial Instruments (2) $M**	**Financial Collateral (Received)/Pledged (2) $M**	**Net Amount $M**	**Not subject to Netting Agreements $M**	**Total Balance Sheet amount $M**
Derivative assets	36,923	(6,794)	30,129	(19,344)	(6,770)	4,015	2,004	32,133
Securities purchased under agreements to resell	13,520	-	13,520	(765)	(12,755)	-	-	13,520
Equity securities sold not delivered	516	(230)	286	-	-	286	-	286
Total financial assets	50,959	(7,024)	43,935	(20,109)	(19,525)	4,301	2,004	45,939
Derivative liabilities	(37,466)	10,149	(27,317)	19,344	4,567	(3,406)	(1,155)	(28,472)
Securities sold under agreements to repurchase	(14,696)	-	(14,696)	765	13,931	-	-	(14,696)
Equity securities purchased not delivered	(656)	230	(426)	-	-	(426)	-	(426)
Total financial liabilities	(52,818)	10,379	(42,439)	20,109	18,498	(3,832)	(1,155)	(43,594)

(1) The net offset balance of $3,355 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.

9.7 Offsetting financial assets and financial liabilities (continued)

	Subject to Enforceable Master Netting or Similar Agreements							Bank 30 Jun 19
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
Financial Instruments	**Gross Balance Sheet Amount $M**	**Amount offset (1) $M**	**Reported on the Balance Sheet $M**	**Financial Instruments (2) $M**	**Financial Collateral (Received)/Pledged (2) $M**	**Net Amount $M**	**Not subject to Netting Agreements $M**	**Total Balance Sheet amount $M**
Derivative assets	39,487	(17,273)	22,214	(14,065)	(4,697)	3,452	2,097	**24,311**
Securities purchased under agreements to resell	11,378	-	11,378	(573)	(10,784)	21	-	**11,378**
Total financial assets	50,865	(17,273)	33,592	(14,638)	(15,481)	3,473	2,097	**35,689**
Derivative liabilities	(45,839)	19,944	(25,895)	14,065	4,039	(7,791)	(759)	**(26,654)**
Securities sold under agreements to repurchase	(19,215)	-	(19,215)	573	18,642	-	-	**(19,215)**
Total financial liabilities	(65,054)	19,944	(45,110)	14,638	22,681	(7,791)	(759)	**(45,869)**

(1) The net offset balance of $2,671 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.

9.7 Offsetting financial assets and financial liabilities (continued)

Bank
30 Jun 18

	Subject to Enforceable Master Netting or Similar Agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
Financial Instruments	**Gross Balance Sheet Amount $M**	**Amount offset [1] $M**	**Reported on the Balance Sheet $M**	**Financial Instruments [2] $M**	**Financial Collateral (Received)/Pledged [2] $M**	**Net Amount $M**	**Not subject to Netting Agreements $M**	**Total Balance Sheet amount $M**
Derivative assets	35,483	(6,794)	28,689	(18,887)	(5,955)	3,847	2,196	30,885
Securities purchased under agreements to resell	12,230	-	12,230	(765)	(11,465)	-	-	12,230
Total financial assets	47,713	(6,794)	40,919	(19,652)	(17,420)	3,847	2,196	43,115
Derivative liabilities	(39,785)	10,149	(29,636)	18,887	4,375	(6,374)	(1,235)	(30,871)
Securities sold under agreements to repurchase	(14,806)	-	(14,806)	765	14,041	-	-	(14,806)
Total financial liabilities	(54,591)	10,149	(44,442)	19,652	18,416	(6,374)	(1,235)	(45,677)

(1) The net offset balance of $3,355 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.

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.

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 2019 LTVR award for the CEO and Group Executives is made under the Employee Equity Plan (EEP). LTVR awards up to and including the 2018 financial year were made under the Group Leadership Reward Plan (GLRP). LTVR focuses efforts on achieving superior performance for key stakeholders – being customers, community, employees and shareholders – in order to create sustainable long-term shareholder value and drive positive culture and behaviours in the Group.

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

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

For awards up to and including the 2017 financial year:

- 25% of the award is assessed against Customer Satisfaction compared to ANZ, NAB, Westpac and other key competitors for our wealth management business by reference to independent external surveys; and
- 75% of the award is assessed against Total Shareholder Return (TSR) compared 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.

For awards made from the 2018 financial year:

- 75% of the award is assessed against TSR compared to the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.
- 12.5% of the award is assessed against a Relative Trust and Reputation measure; and
- 12.5% of the award is assessed against an Absolute Employee Engagement measure.

A positive TSR gateway applies to the Trust and Reputation and Employee Engagement measures. Refer to the Remuneration Report for further details on 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)
30 Jun 19	**678,801**	**294,619**	**(34,099)**	**(130,802)**	**808,519**	**7,186**
30 Jun 18	1,174,899	215,356	(174,139)	(537,315)	678,801	4,329

The weighted average fair value at the grant date for TSR was $33.57 and $49.87 for both Trust and Reputation and Employee Engagement Rights issued during the year (2018: $36.94 for TSR and $57.11 for both Trust and Reputation and Employee Engagement). The fair value of the Rights granted during the period has been independently calculated at grant date using a Monte Carlo pricing model based on market information and excluding the impact of non-market performance conditions. The assumptions included in the valuation of the 2019 financial year award include a share price of $71.77, a risk-free interest rate of 2.29%, a 5.83% dividend yield on the Bank's ordinary shares and a volatility in the Bank share price of 15%.

Group Rights Plan (GRP) and Employee Equity Plan (EEP)

The GRP and EEP Restricted Shares facilitate mandatory short-term variable remuneration deferral, sign-on incentives and retention awards. Participants are awarded rights or restricted shares that vest provided the participant remains in employment of the Group until vesting date. The following table provides details of outstanding awards of rights and shares granted under the GRP and EEP.

10.1 Share-based payments (continued)

Group Rights Plan (GRP) and Employee Equity Plan (EEP) (continued)

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
30 Jun 19	**2,246,204**	**1,086,280**	**(993,435)**	**(186,582)**	**2,152,467**	**77,136**
30 Jun 18	2,125,927	1,045,179	(849,508)	(75,394)	2,246,204	67,725

The weighted average fair value at grant date of the awards issued during the year was $71.08 (2018: $75.67).

Employee Share Acquisition Plan (ESAP)

Under the ESAP eligible employees have the opportunity to receive up to $1,000 worth of shares each year if the Group meets the required performance hurdle of growth in the Group's net profit after tax ("cash basis"). If the hurdle is not met, the Board has discretion to determine whether a full award, a partial award or no award is made.

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

While the Group did not achieve the ESAP performance target for the 2018 financial year, the Board exercised its discretion and approved a partial award of $550 during the financial year ended 30 June 2019 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 $
30 Jun 19	**16 Nov 2018**	**30,960**	**7**	**216,720**	**70.86**	**15,356,779**
30 Jun 18	8 Sep 2017	31,780	12	381,360	79.11	30,169,390

It is estimated that approximately $34 million of CBA shares will be purchased on market at the prevailing market price for the 2019 grant.

Other employee awards

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

- The Employee Share (Performance Unit) Plan and Employee Equity Plan (EEP) Cash Settled Rights are cash-based versions of the GRP and EEP; and
- The International Employee Share Acquisition Plan, which is the cash-based version of the ESAP.

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

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
30 Jun 19	**509,927**	**162,180**	**(242,026)**	**(48,657)**	**381,424**	**15,805**
30 Jun 18	458,764	251,284	(168,925)	(31,196)	509,927	21,405

The weighted average fair value at grant date of the awards issued during the year was $71.35 (2018: $75.70).

Salary sacrifice arrangements

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

Type	Arrangements
Salary Sacrifice (ESSSP)	• 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 (NEDSP)	• Required to defer 20% of post-tax fees until a minimum shareholding requirement of 5,000 shares is reached. • Restricted from sale for ten years or when the Non-Executive Director retires from the Board if earlier.

10.1 Share-based payments (continued)

Salary sacrifice arrangements (continued)

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

Period	Participants	Number of shares purchased	Average purchase price $	Total purchase consideration $
30 Jun 19	**952**	**47,205**	**71.57**	**3,378,462**
30 Jun 18	983	41,390	77.68	3,215,222

During the year four (2018: four) Non-Executive Directors applied $103,151 in fees (2018: $74,991) to purchase 1,424 shares (2018: 988 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 2016

(1) The defined benefit formulae are generally comprised of final salary, or final average salary, and service.

Regulatory framework

Both plans operate under trust law with the assets of the plans held separately in trust. The Trustee of Commonwealth Bank Group Super is Commonwealth Bank Officers Superannuation Corporation Pty Limited. The Trustee of CBA (UK) SBS is Commonwealth Bank of Australia (UK) Staff Benefits Scheme Trustee Company Limited. Both Trustees are wholly owned subsidiaries of the Group. The Trustees do not conduct any business other than trusteeship of the plans. The plans are managed and administered on behalf of the members in accordance with the terms of each trust deed and relevant legislation. The funding of the plans complies with regulations in Australia and the UK respectively.

Funding and contributions

An actuarial assessment as at 30 June 2018 showed Commonwealth Bank Group Super remained in funding surplus. The Bank agreed to continue contributions of $20 million per month to the plan. Employer contributions paid to the plan are subject to tax at the rate of 15% in the plan.

An actuarial assessment of the CBA (UK) SBS as at 30 June 2016 was completed in September 2017. It confirmed a funding deficit of GBP26.2 million ($47.4 million). The Bank agreed to pay deficit reduction contributions of GBP5 million ($9 million) per annum, paid monthly from 1 January 2018 to 31 December 2022. The Group's expected contributions to the Commonwealth Bank Group Super and the CBA (UK) SBS for the year ended 30 June 2020 are $240 million and GBP7.5 million ($13.6 million) respectively.

10.2 Retirement benefit obligations (continued)

Defined benefit superannuation plan

		Commonwealth Bank Group Super		CBA(UK)SBS		Total	
	Note	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Present value of funded obligations		**(3,004)**	(2,826)	**(711)**	(645)	**(3,715)**	(3,471)
Fair value of plan assets		**3,438**	3,355	**739**	697	**4,177**	4,052
Net pension assets/(liabilities) as at 30 June		**434**	529	**28**	52	**462**	581
Amounts in the Balance Sheet:							
Assets	6.2	**434**	529	**28**	52	**462**	581
Net assets/(liabilities)		**434**	529	**28**	52	**462**	581
The amounts recognised in the Income Statement are as follows:							
Current service cost		**(36)**	(36)	**(6)**	(6)	**(42)**	(42)
Net interest income/(expense)		**16**	13	**2**	-	**18**	13
Employer financed benefits within accumulation division (1)		**(279)**	(289)	**-**	-	**(279)**	(289)
Total included in superannuation plan expense		**(299)**	(312)	**(4)**	(6)	**(303)**	(318)
Changes in the present value of the defined benefit obligation are as follows:							
Opening defined benefit obligation		**(2,826)**	(2,910)	**(645)**	(656)	**(3,471)**	(3,566)
Current service cost		**(36)**	(36)	**(6)**	(6)	**(42)**	(42)
Interest cost		**(119)**	(122)	**(17)**	(17)	**(136)**	(139)
Member contributions		**(6)**	(6)	**-**	-	**(6)**	(6)
Actuarial (losses) from changes in demographic assumptions		**(18)**	-	**-**	-	**(18)**	-
Actuarial gains/(losses) from changes in financial assumptions		**(228)**	(25)	**(69)**	29	**(297)**	4
Actuarial gains from changes in other assumptions		**45**	57	**-**	-	**45**	57
Payments from the plan		**184**	216	**39**	35	**223**	251
Exchange differences on foreign plans		**-**	-	**(13)**	(30)	**(13)**	(30)
Closing defined benefit obligation		**(3,004)**	(2,826)	**(711)**	(645)	**(3,715)**	(3,471)
Changes in the fair value of plan assets are as follows:							
Opening fair value of plan assets		**3,355**	3,336	**697**	645	**4,052**	3,981
Interest income		**135**	135	**19**	17	**154**	152
Return on plan assets (excluding interest income)		**165**	143	**34**	17	**199**	160
Member contributions		**6**	6	**-**	-	**6**	6
Employer contributions		**240**	240	**15**	22	**255**	262
Employer financed benefits within accumulation division		**(279)**	(289)	**-**	-	**(279)**	(289)
Payments from the plan		**(184)**	(216)	**(39)**	(35)	**(223)**	(251)
Exchange differences on foreign plans		**-**	-	**13**	31	**13**	31
Closing fair value of plan assets		**3,438**	3,355	**739**	697	**4,177**	4,052

(1) Represents superannuation contributions required by the Bank to meet its obligations to members of the defined contribution division of Commonwealth Bank Group Super.

10.2 Retirement benefit obligations (continued)

Economic assumptions

Economic assumptions	**Commonwealth Bank Group Super 30 Jun 19 %**	Commonwealth Bank Group Super 30 Jun 18 %	**CBA(UK)SBS 30 Jun 19 %**	CBA(UK)SBS 30 Jun 18 %
The above calculations were based on the following assumptions:				
Discount rate	**3. 20**	4. 20	**2. 30**	2. 70
Inflation rate	**1. 60**	2. 10	**3. 50**	3. 30
Rate of increases in salary	**2. 40**	2. 90	**4. 50**	4. 30

In addition to financial assumptions, the mortality assumptions for pensioners can materially impact the defined benefit obligations. These assumptions are age related and allowances are made for future improvement in mortality. The expected life expectancies (longevity) for pensioners are set out below:

Expected life expectancies for pensioners	**Commonwealth Bank Group Super 30 Jun 19 Years**	Commonwealth Bank Group Super 30 Jun 18 Years	**CBA(UK)SBS 30 Jun 19 Years**	CBA(UK)SBS 30 Jun 18 Years
Male pensioners currently aged 60	**28. 8**	28. 8	**28. 0**	27. 6
Male pensioners currently aged 65	**23. 9**	23. 8	**23. 2**	23. 1
Female pensioners currently aged 60	**31. 2**	33. 1	**29. 9**	29. 8
Female pensioners currently aged 65	**26. 1**	28. 1	**25. 1**	25. 0

Sensitivity to changes in assumptions

The table below sets out the sensitivities of the present value of defined benefit obligations at 30 June to a change in the principal actuarial assumptions:

Impact of change in assumptions on liabilities	**Commonwealth Bank Group Super 30 Jun 19 %**	**CBA(UK)SBS 30 Jun 19 %**
0.25% decrease in discount rate	**3. 70**	**4. 90**
0.25% increase in inflation rate	**2. 96**	**3. 30**
0.25% increase to the rate of increases in salary	**0. 47**	**0. 30**
Longevity increase of 1 year	**4. 76**	**3. 70**

Average duration

The average duration of defined benefit obligation at 30 June is as follows:

	Commonwealth Bank Group Super 30 Jun 19 Years	**CBA(UK)SBS 30 Jun 19 Years**
Average duration at balance date	**13**	**19**

10.2 Retirement benefit obligations (continued)

Risk management

The pension plans expose the Group to longevity risk, currency risk, interest rate risk, inflation risk and market risk. The Trustees perform Asset-Liability Matching (ALM) exercises to ensure the plan assets are well matched to the nature and maturities of the defined benefit obligations.

The Commonwealth Bank Group Super's investment strategy comprises 41% growth and 59% defensive assets. Inflation and interest rate risks are partly mitigated by investing in long dated fixed interest securities which better match the average duration of liabilities and entering into inflation and interest rate swaps.

The allocation of assets backing the defined benefit portion of the Commonwealth Bank Group Super is as follows:

	Commonwealth Bank Group Super			
	30 Jun 19		30 Jun 18	
Asset allocations	**Fair value $M**	**% of plan asset**	Fair value $M	% of plan asset
Cash	**83**	**2. 4**	81	2. 4
Equities - Australian (1)	**193**	**5. 6**	253	7. 5
Equities - Overseas (1)	**591**	**17. 2**	570	17. 0
Bonds - Commonwealth Government (1)	**967**	**28. 1**	679	20. 2
Bonds - Semi-Government (1)	**956**	**27. 8**	1,179	35. 1
Bonds - Corporate and other (1)	**71**	**2. 1**	79	2. 4
Real Estate and Infrastructure (2)	**346**	**10. 1**	334	10. 0
Derivatives	**(33)**	**(1. 0)**	(17)	(0. 5)
Other (3)	**264**	**7. 7**	197	5. 9
Total fair value of plan assets	**3,438**	**100. 0**	3,355	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 $15.3 million of Commonwealth Bank shares. The real estate fair value includes $1.4 million of property assets leased to the Bank. The bonds – corporate and other fair value includes $0.4 million of Commonwealth Bank debt securities. The other asset allocation includes $0.5 million of Commonwealth Bank shares and $0.1 million debt securities held in a multi-asset fund.

10.3 Key management personnel

Detailed remuneration disclosures by Key Management Personnel (KMP) are provided in the Remuneration Report of the Directors' Report on pages 82 to 106.

	Group		Bank	
	30 Jun 19	30 Jun 18	**30 Jun 19**	30 Jun 18
Key Management Personnel compensation	**$'000**	$'000	**$'000**	$'000
Short-term benefits (1) (2)	**23,326**	23,127	**21,413**	23,127
Post-employment benefits	**457**	421	**400**	421
Long-term benefits	**864**	854	**836**	854
Share-based payments (1)	**14,715**	11,235	**14,405**	11,235
Total	**39,362**	35,637	**37,054**	35,637

(1) Non-Executive Director fees for the 2018 financial year have been restated to reflect car parking benefits (including associated fringe benefits tax) and the proportion between cash fees and Non-Executive Directors' share plan shares for some individuals.
(2) Short-term benefits includes termination benefits of $1,294,969 (2018: $4,700,917)

10.3 Key management personnel (continued)

Security holdings

Details of the aggregate security holdings of KMP are set out below.

	Class (1)	Balance 1 July 18 (2)	Acquired/ Granted as Remuneration	Previous Years Awards Vested (3)	Net Change Other (4)	Balance 30 June 19 (5)
Non-Executive Directors	Ordinary (6)	138,406	9,145	-	(97,190)	**50,361**
	PERLS	8,600	-	-	(5,830)	**2,770**
Executives	Ordinary	228,623	-	96,267	(114,930)	**209,960**
	LTVR Rights	440,321	294,619	(18,390)	(131,133)	**585,417**
	Deferred Shares	-	38,818	-	(14,923)	**23,895**
	Deferred Rights	54,353	7,064	(41,896)	409	**19,930**
	Sign-on equity	9,234	125,772	(42,651)	-	**92,355**
	PERLS	2,330	-	-	(2,330)	**-**

(1) LTVR rights are subject to performance hurdles. Deferred shares represent the deferred STVR awarded in the 2019 financial year. Deferred rights represent the deferred STVR awarded under Executive General Manager arrangements and retention awards received as rights 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 rights or shares. PERLS include cumulative holdings of all PERLS securities issued by the Group.

(2) Due to the changes in KMP during the 2019 financial year, aggregate security holdings balance at 1 July 2018 does not align to the balance disclosed for 30 June 2018.

(3) LTVR rights, deferred shares and deferred rights become ordinary shares or are cash settled upon vesting.

(4) Net change other incorporates changes resulting from purchases, sales, forfeitures and appointment or departure of KMP during the year.

(5) 30 June 2019 balances represent aggregate shareholdings of all KMP at balance date.

(6) Non-Executive Directors who hold fewer than 5,000 Commonwealth Bank shares are required to receive 20% of their total after-tax base fees as CBA shares. These shares are subject to a 10-year trading restriction (the shares will be released earlier if the Non-Executive Director leaves the Board).

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 19 $'000	**30 Jun 18** $'000
Loans	**12,337**	12,914
Interest charged	**480**	476

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 Group KMP at 30 June 2019 was $2,254,283 (2018: $3,096,820).

11. Group structure

Overview

The Group structure includes the Bank legal entity and its interests in operating and special purpose subsidiaries, joint ventures and associates. These entities were either acquired or established and their classification is driven by the Bank's level of control or influence.

These entities operating activities include banking, advice, funds management, specialised customer financing and asset backed financing across multiple jurisdictions.

11.1 Investments in subsidiaries and other entities

Subsidiaries

The key subsidiaries of the Bank are:

Entity Name	Entity Name
Australia	
(a) Banking	
CBA Covered Bond Trust	Medallion Trust Series 2015-2
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 2013-1	Medallion Trust Series 2017-1P
Medallion Trust Series 2013-2	Medallion Trust Series 2017-2
Medallion Trust Series 2014-1	Residential Mortgage Group Pty Ltd
Medallion Trust Series 2014-2	Medallion Trust Series 2018-1
Medallion Trust Series 2015-1	
(b) Insurance and Funds Management	
Capital 121 Pty Limited	Commonwealth Insurance Limited
Colonial Holding Company Limited	The Colonial Mutual Life Assurance Society Limited (1)
Commonwealth Insurance Holdings Limited	

(1) This subsidiary is classified as a discontinued operation.

All the above subsidiaries are 100% owned and incorporated in Australia.

11.1 Investments in subsidiaries and other entities (continued)

Subsidiaries (continued)

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
New Zealand and Other Overseas		
(a) Banking		
ASB Bank Limited		New Zealand
ASB Covered Bond Trust		New Zealand
ASB Finance Limited		New Zealand
ASB Holdings Limited		New Zealand
ASB Term Fund		New Zealand
CommBank Europe Limited		Malta
Medallion NZ Series Trust 2009-1R		New Zealand
PT Bank Commonwealth	99%	Indonesia
(b) Insurance and Funds Management		
PT Commonwealth Life (1)	80%	Indonesia
First Gas Limited (1)	12%	New Zealand

(1) As at 30 June 2019, PT Commonwealth Life and First Gas Limited are classified as discontinued operations.

The Group also consolidates a number of unit trusts and other companies as part of the ongoing investment activities of the life insurance and wealth businesses. These investment vehicles are excluded from the above list.

Significant Judgements and Assumptions

Control and voting rights

Holding more than 50% of an entity's voting rights typically indicates that the Group has control over the entity. Significant judgement is involved where the Group either holds more than 50% of the voting rights but does not control an entity, or where the Group is deemed to control an entity despite holding less than 50% of the voting rights.

Agent or principal

The Group is deemed to have power over an investment fund when it holds either the responsible entity (RE) and/or the manager function of that fund. Whether that power translates to control depends on whether the Group is deemed to act as an agent or a principal of that fund. Management have determined that the Group acts as a principal and controls a fund when it cannot be easily removed as a manager or RE by investors and when its economic interest in that fund is substantial compared to the economic interest of other investors. In all other cases the Group acts as agent and does not control the fund.

Non-controlling interests

	Group	
	30 Jun 19 $M	30 Jun 18 $M
Shareholders' Equity	**55**	554
Total non-controlling interests	**55**	554

New Zealand Perpetual Preference Shares of AUD505 million issued by ASB Capital Limited and ASB Capital No.2 Limited, the Group's New Zealand subsidiaries, were bought back and subsequently cancelled in May 2019.

As at 30 June 2019, non-controlling interests include minority shareholders' interest in the Group's subsidiaries, PT Bank Commonwealth, PT Commonwealth Life and First Gas Limited.

11.1 Investments in subsidiaries and other entities (continued)

Significant restrictions

There were no significant restrictions on the ability to transfer cash or other assets, pay dividends or other capital distributions, provide or repay loans and advances between the entities within the Group. There were also no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group resulting from protective rights of non-controlling interests.

Associates and joint ventures

There were no individually significant investments in associates or joint ventures held by the Group as at 30 June 2019 and 30 June 2018. 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 19 $M	30 Jun 18 $M	**30 Jun 19 Ownership Interest %**	30 Jun 18 Ownership Interest %	Principal Activities	Country of Incorporation	Balance Date
Bank of Hangzhou Co., Ltd	**1,816**	1,680	**18**	18	Commercial Banking	China	31-Dec
First State European Diversified Infrastructure Fund FCP-SIF (1)	**-**	121	**4**	3	Funds Management	Luxembourg	31-Dec
Qilu Bank Co., Ltd	**771**	638	**18**	18	Commercial Banking	China	31-Dec
Vietnam International Commercial Joint Stock Bank	**242**	210	**20**	20	Commercial Banking	Vietnam	31-Dec
Other	**172**	193	**Various**	Various	Various	Various	Various
Carrying amount of investments in associates and joint ventures	**3,001**	2,842					

	Group	
Share of Associates' and Joint Ventures profits (2)	**30 Jun 19 $M**	30 Jun 18 $M
Operating profits before income tax	**315**	321
Income tax expense	**(27)**	(52)
Operating profits after income tax (3)	**288**	269

(1) The investment in First State European Diversified Infrastructure Fund FCP-SIF has been classified as held for sale following the announced sale of CFSGAM.
(2) Excludes information concerning associates and joint ventures classified as held for sale.
(3) This amount is recognised within Note 2.3 in the share of profits of associates and joint ventures net of impairment.

Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated structured entities

The Group has the following contractual arrangements which require it to provide financial support to its structured entities.

11.1 Investments in subsidiaries and other entities (continued)

Structured entities (continued)

Securitisation structured entities

The Group provides liquidity facilities to Medallion, Medallion NZ and Swan structured entities. The liquidity facilities can only be drawn to cover cash flow shortages relating to mismatches in timing of cash inflows due from securitised asset pools and cash outflows due to note holders. These 'timing mismatch' facilities rank pari passu with other senior secured creditors. The facilities limit is $877 million (2018: $857 million).

The Group has no contractual obligations to purchase assets from its securitisation structured entities.

Covered bonds trust

The Group provides funding and support facilities to CBA Covered Bond Trust and ASB Covered Bond Trust (the 'Trusts'). The Trusts are bankruptcy remote SPVs that guarantee any debt obligations owing under the US$30 billion CBA Covered Bond Programme and the EUR7 billion ASB Covered Bond Programme, respectively. The funding facilities allow the Trusts to hold sufficient residential mortgage loans to support the guarantees provided to the Covered Bonds. The Group also provides various swaps to the Trusts to hedge any interest rate and currency mismatches. The Group, either directly or via its wholly owned subsidiaries, Securitisation Advisory Services Pty Limited and Securitisation Management Services Limited, provides various services to the Trusts including servicing and monitoring of the residential mortgages.

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 2019, the Bank entered into a debt forgiveness arrangement with two wholly owned structured entities for the total of $7 million (2018: $17 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. These have been excluded from the below table.

11.1 Investments in subsidiaries and other entities (continued)

Unconsolidated structured entities (continued)

					30 Jun 19
Exposures to unconsolidated structured entities	**RMBS $M**	**ABS $M**	**Other Financing $M**	**Investment Funds $M**	**Total $M**
Assets at fair value through income statement - trading	-	-	-	242	**242**
Investment securities	7,619	476	-	-	**8,095**
Loans, bills discounted and other receivables	1,977	1,602	5,454	7,367	**16,400**
Other assets	-	-	-	-	**-**
Assets held for sale	-	-	-	1,108	**1,108**
Total on Balance Sheet exposures	**9,596**	**2,078**	**5,454**	**8,717**	**25,845**
Total notional amounts of off Balance Sheet exposures (1)	2,761	729	539	4,302	**8,331**
Total maximum exposure to loss	**12,357**	**2,807**	**5,993**	**13,019**	**34,176**
Total assets of the entities (2)	**55,508**	**9,523**	**17,542**	**329,237**	**411,810**

(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 $9,073 million.

					30 Jun 18
Exposures to unconsolidated structured entities	**RMBS $M**	**ABS $M**	**Other Financing (1) $M**	**Investment Funds $M**	**Total $M**
Assets at fair value through income statement - trading	22	-	-	43	**65**
Available-for-sale investments	7,233	652	-	224	**8,109**
Loans, bills discounted and other receivables	3,056	1,576	5,576	8,089	**18,297**
Other assets	-	-	-	401	**401**
Assets held for sale	-	-	-	824	**824**
Total on Balance Sheet exposures	**10,311**	**2,228**	**5,576**	**9,581**	**27,696**
Total notional amounts of off Balance Sheet exposures (2)	2,027	674	1,068	4,302	**8,071**
Total maximum exposure to loss	**12,338**	**2,902**	**6,644**	**13,883**	**35,767**
Total assets of the entities (3)	**52,230**	**9,869**	**16,101**	**332,443**	**410,643**

(1) In prior years, Other Financing included exposures to structured entities where the Group had recourse only to assets of the structured entities. Comparative information has been restated to conform to presentation in the current year and includes all exposures to structured entities.

(2) Relates to undrawn facilities.

(3) Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of $9,688 million.

11.1 Investments in subsidiaries and other entities (continued)

Unconsolidated structured entities (continued)

The Group's exposure to loss depends on the level of subordination of the interest, which indicates the extent to which other parties are obliged to absorb credit losses before the Group. An overview of the Group's interests, relative ranking and external credit rating, for vehicles that have credit subordination in place, is summarised in the table below, and include securitisation vehicles and other financing.

				30 Jun 19
Ranking and credit rating of exposures to unconsolidated structured entities	**RMBS $M**	**ABS $M**	**Other Financing $M**	**Total $M**
Senior (1)	12,269	2,807	5,993	**21,069**
Mezzanine (2)	88	-	-	**88**
Total maximum exposure to loss	12,357	2,807	5,993	**21,157**

(1) All ABS and RMBS exposures and $3,901 million of other financing exposures are rated investment grade. $2,092 million of other financing exposures are sub-investment grade.
(2) All RMBS exposures are rated investment grade.

				30 Jun 18 (1)
Ranking and credit rating of exposures to unconsolidated structured entities	**RMBS $M**	**ABS $M**	**Other Financing $M**	**Total $M**
Senior (2)	12,254	2,902	6,644	**21,800**
Mezzanine (3)	84	-	-	**84**
Total maximum exposure to loss	12,338	2,902	6,644	**21,884**

(1) In prior years, Other Financing included exposures to structured entities where the Group had recourse only to assets of the structured entities. Comparative information has been restated to conform to presentation in the current year and includes all exposures to structured entities.
(2) All ABS exposures, $12,240 million of RMBS exposures and $4,067 million of other financing exposures are rated investment grade. $14 million of RMBS and $2,577 million of other financing exposures are sub-investment grade.
(3) 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 2019, the Group has not sponsored any unconsolidated structured entities.

11.1 Investments in subsidiaries and other entities (continued)

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 Changes in Equity, and Balance Sheet. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated when control ceases. Subsidiaries are accounted for at cost less accumulated impairments at the Bank level.

Business combinations

Business combinations are accounted for using the acquisition method. At the acquisition date, the cost of the business is the fair value of the purchase consideration, measured as the aggregate of the fair values of assets transferred, equity instruments issued, or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. Goodwill represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of assets acquired and liabilities and contingent liabilities assumed on the date of acquisition. If there is a deficit instead, this discount on acquisition is recognised directly in the consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Investments in associates and joint ventures

Associates and joint ventures are entities over which the Group has significant influence or joint control, but not control. In the consolidated financial report, they are equity accounted. They are initially recorded at cost and adjusted for the Group's share of the associates' and joint ventures' post-acquisition profits or losses and other comprehensive income (OCI), less any dividends received. At the Bank level, they are accounted for at cost less accumulated impairments.

The Group assesses, at each Balance Sheet date, whether there is any objective evidence of impairment. If there is an indication that an investment may be impaired, then the entire carrying amount of the investment in associate or joint venture is tested for impairment by comparing the recoverable amount (higher of value in use and fair value less disposal costs) with the carrying amount. Impairment losses recognised in the Income Statement are subsequently reversed through the Income Statement if there has been a change in the estimates used to determine recoverable amount since the impairment loss was recognised.

11.2 Related party disclosures

Banking transactions are entered into with related parties in the normal course of business on an arm's length basis. These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. Details of amounts paid or received from related parties, in the form of dividends or interest, are set out in Notes 2.3 and 2.1.

The Bank's aggregate investments in, and loans to controlled entities are disclosed in the table below. Amounts due to controlled entities are disclosed in the Balance Sheet of the Bank.

	Bank	
	30 Jun 19 $M	30 Jun 18 $M
Shares in controlled entities	**10,728**	11,821
Loans to controlled entities	**109,465**	106,431
Total shares in and loans to controlled entities	**120,193**	118,252

As at 30 June 2019, loans to controlled entities in the table above are presented net of $21 million provisions for impairment.

11.2 Related party disclosures (continued)

The Group receives fees on an arm's length basis of $61 million (2018: $118 million) from funds included in assets held for sale.

The Bank provides letters of comfort to other entities within the Group on standard terms. Guarantees include a $175 million (2018: $175 million) guarantee to AFS license holders in respect of excess compensation claims. During the year ended 30 June 2019, the Bank entered into reimbursement arrangements totalling $396 million with its subsidiaries, Avanteos Investments Limited, Count Financial Limited, Financial Wisdom Limited and Commonwealth Financial Planning Limited (for the Pathways business (CFPL)), to cover potential remediation of ongoing service failures to customers, deceased estates, and inappropriate advice and other matters. This amount includes $374 million for Aligned Advice remediation and $22 million for other wealth remediation programs. The Group and the Bank have provided for these costs.

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 $320 million as at 30 June 2019 (2018: $283 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

Completed transactions

Life insurance business in New Zealand

On 21 September 2017, the Group announced the sale of 100% of its New Zealand life insurance business (Sovereign) to AIA Group Limited (AIA) for $1.3 billion. The sale agreement includes a long-term partnership with AIA for the provision of life insurance products to customers in New Zealand. The sale of Sovereign completed on 2 July 2018, resulting in a total post-tax gain of $117 million (net of transaction and separation costs). This includes $135 million post-tax gain net of transaction and separation costs recognised during the year ended 30 June 2019, and $18 million post-tax transaction and separation costs recognised during the year ended 30 June 2018.

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 final sale proceeds of $4.2 billion and a total post tax gain of $1.5 billion (inclusive of separation costs and subject to final tax calculations and completion adjustments).

Ongoing transactions

Life insurance businesses in Australia

On 21 September 2017, the Group announced the 100% sale of its Australian life insurance businesses (CommInsure Life) to AIA for $2.5 billion. The sale agreement includes a long-term partnership with AIA for the provision of life insurance products to customers in Australia. The sale of CommInsure Life remains subject to the completion of the transfer of the Group's stake in BoCommLife out of CommInsure Life and its associated Chinese regulatory approvals.

The Group and AIA remain fully committed to completing the CommInsure Life transaction. The Group and AIA are also well progressed in exploring an alternative path to complete the CommInsure Life transaction prior to the transfer of the Group's stake in BoCommLife. The alternative path is expected to be subject only to Australian regulatory approvals. The Group expects to be able to provide further details of this alternative path by the end of the first quarter of the financial year 2020, if the sale of BoCommLife has not substantially progressed in that timeframe.

BoCommLife

On 23 May 2018, the Group announced the sale of its 37.5% equity interest in BoCommLife to Mitsui Sumitomo Insurance Co. Ltd (MSI). On completion, CBA is expected to receive proceeds of approximately $891 million. The sale of BoCommLife is subject to Chinese regulatory approvals, and is expected to be completed in the second half of the calendar year 2019.

11.3 Discontinued operations (continued)

Ongoing transactions (continued)

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). As part of the sale, CBA's Indonesian banking subsidiary, PT Bank Commonwealth (PTBC), will enter into a 15-year life insurance distribution partnership with FWD. On completion, CBA is expected to receive $426 million in consideration for the sale of PTCL and entering the distribution partnership. The sale is subject to regulatory approvals in Indonesia and is now expected to complete in the second half of calendar year 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. Completion is expected to occur in October 2019. Upon completion, the Group will provide an indemnity to CountPlus capped at $200 million. This indemnity amount represents a potential contingent liability of $56 million in excess of a $144 million Count Financial remediation provision included in the Group's total Aligned Advice provision of $534 million as at 30 June 2019. Refer to Note 7.1 for further information.

The assets and liabilities of Count Financial have been presented as held for sale as at 30 June 2019. Count Financial has not been classified as a discontinued operation.

Financial impact of discontinued operations on the Group

The performance and net cash flows of the Group's interests in CommInsure Life, Sovereign, BoCommLife, PTCL, CFSGAM and TymeDigital SA are set out in the tables below:

	Full Year Ended (1)		
	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M
Net interest income	**6**	-	(9)
Other banking income	**20**	21	20
Net banking operating income	**26**	21	11
Funds management income	**1,102**	1,194	1,138
Investment revenue	**391**	503	513
Claims, policyholder liability and commission revenue/(expense)	**(548)**	(604)	(644)
Net funds management operating income	**945**	1,093	1,007
Premiums from insurance contracts	**1,256**	2,066	2,305
Investment revenue	**539**	367	216
Claims, policyholder liability and commission expense from insurance contracts	**(1,503)**	(1,702)	(1,861)
Net insurance operating income	**292**	731	660
Total net operating income before operating expenses	**1,263**	1,845	1,678
Operating expenses	**(938)**	(1,110)	(989)
Net profit before tax	**325**	735	689
Income tax expense	**(48)**	(172)	(176)
Policyholder tax	**(50)**	(58)	(32)
Net profit after tax and before transaction and separation costs	**227**	505	481
Losses on disposals of businesses net of transaction and separation costs	**(9)**	(227)	-
Non-controlling interests	**(7)**	(6)	(11)
Net profit after income tax from discontinued operations attributable to Equity holders of the Bank	**211**	272	470

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

11.3 Discontinued operations (continued)

Earnings per share for profit from discontinued operations attributable to equity holders of the parent:

	Full Year Ended (1)		
	30 Jun 19	30 Jun 18	30 Jun 17
	Cents per Share		
Earnings per share from discontinued operations:			
Basic	**11. 9**	15. 5	27. 4
Diluted	**11. 1**	14. 5	25. 9

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

Cash flow statement

	Full Year Ended (1) (2)		
	30 Jun 19 **$M**	30 Jun 18 $M	30 Jun 17 $M
Net cash used in operating activities	**(563)**	(543)	(739)
Net cash from investing activities	**809**	1,080	1,120
Net cash used in financing activities	**(180)**	(659)	(122)
Net cash (outflows)/inflows from discontinued operations	**66**	(122)	259

(1) Comparative information has been restated to conform to presentation in the current year.
(2) Represents cash flows from the underlying businesses classified as discontinued operations and excludes proceeds from disposal.

11.3 Discontinued operations (continued)

Balance sheet

The balance sheet of the Group's interest in CommInsure Life, Sovereign, BoCommLife, PTCL, CFSGAM and Count Financial are set out in the table below. TymeDigital SA did not meet the held for sale classification criteria as at 30 June 2018. Count Financial met the held for sale criteria as at 30 June 2019 but has not been reclassified as a discontinued operation.

	As at (1)	
Assets held for sale	**30 Jun 19 $M**	30 Jun 18 $M
Cash and liquid assets	**354**	108
Assets at fair value through Income Statement	**10,417**	11,867
Investment securities at fair value through other comprehensive income	**260**	-
Available-for-sale investments	**-**	10
Intangible assets	**2,049**	1,372
Property, plant and equipment	**1,510**	1,225
Investment in associates and joint ventures	**607**	401
Deferred tax assets	**145**	13
Other assets	**1,207**	630
Total assets (2)	**16,549**	15,626
Liabilities held for sale		
Insurance policy liabilities	**10,854**	11,188
Deferred tax liabilities	**404**	763
Deposits and other public borrowings	**1,268**	871
Managed funds units on issue	**2,197**	1,698
Other liabilities	**1,073**	380
Total liabilities	**15,796**	14,900

(1) Intragroup balances have been eliminated; however it will impact the final gain/loss on disposal of the discontinued operations.
(2) Includes assets of Count Financial classified as held for sale as at 30 June 2019 and assets of the businesses classified as discontinued operations. Excludes other assets classified as held for sale.

As at 30 June 2019, the foreign currency translation reserve relating to discontinued operations was $69 million (30 June 2018: $63 million, 30 June 2017: $61 million); the investment securities revaluation reserve relating to discontinued operations was $11 million.

As at 30 June 2018 and 30 June 2017, the available-for-sale investments revaluation reserve relating to discontinued operations was $4 million and $13 million respectively.

12. Other

Overview

This section includes other information about the Group's operations that is disclosed to provide a more complete view of our business. It includes customer related commitments and contingent liabilities that arise in the ordinary course of business through certain lending arrangements. In addition, it covers the impact of adopting new accounting standards, notes to the statement of cash flows, lease commitments and remuneration of auditors. Finally, details of events that have taken place subsequent to the Balance Sheet date are provided.

12.1 Contingent liabilities, contingent assets and commitments arising from the banking business

Details of contingent liabilities and off Balance Sheet instruments are presented below and in Note 7.1. The face (contract) value, as disclosed below, 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
	Face Value		**Credit Equivalent**	
Credit risk related instruments	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Guarantees	**6,506**	6,265	**5,387**	5,185
Documentary letters of credit	**326**	761	**322**	753
Performance related contingents	**4,722**	4,610	**2,362**	2,531
Commitments to provide credit	**162,202**	162,090	**154,408**	157,636
Other commitments	**2,050**	1,470	**2,040**	1,470
Total credit risk related instruments	**175,806**	175,196	**164,519**	167,575

				Bank
	Face Value		**Credit Equivalent**	
Credit risk related instruments	**30 Jun 19 $M**	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Guarantees	**6,026**	5,835	**4,907**	4,754
Documentary letters of credit	**249**	720	**248**	715
Performance related contingents	**4,722**	4,593	**2,362**	2,514
Commitments to provide credit	**146,483**	147,098	**140,035**	144,102
Other commitments	**1,973**	1,360	**1,963**	1,360
Total credit risk related instruments	**159,453**	159,606	**149,515**	153,445

12.1 Contingent liabilities, contingent assets and commitments arising from the banking business (continued)

Accounting policies

Credit default financial guarantees are unconditional undertakings given to support the obligations of a customer to third parties. Other forms of financial guarantees include documentary letters of credit which are undertakings by the Group to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer. Financial guarantees are recognised within other liabilities and 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 loss recognised under AASB 9. 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, because they do not transfer credit risk. Performance guarantees are recognised when it is probable that an obligation has arisen. The amount of any provision is the best estimate of the amount required to fulfil the obligation.

Commitments to provide credit include all obligations on the part of the Group to provide credit facilities (unutilised credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions. 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. Under AASB 9 loan commitments must be measured with reference to the quantum of 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 therefore used to calculate the cumulative expected credit losses. Upon a loan drawdown by the counterparty, the amount of the loan is accounted for in accordance with accounting policies for loans and receivables.

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 the AASB 9 impairment provisions for the year ended 30 June 2019 are provided in Note 1.1.

12.2 Lease commitments

	Group		Bank	
	30 Jun 19 $M	30 Jun 18 $M	**30 Jun 19 $M**	30 Jun 18 $M
Lease Commitments - Property, Plant and Equipment				
Due within one year	**673**	681	**626**	619
Due after one year but not later than five years	**1,805**	1,764	**1,668**	1,593
Due after five years	**1,600**	1,811	**1,466**	1,658
Total lease commitments - property, plant and equipment	**4,078**	4,256	**3,760**	3,870

Lease arrangements

Operating leases are entered into to meet the business needs of entities in the Group. Leases are primarily over commercial and retail premises and plant and equipment.

Lease rentals are determined in accordance with market conditions when leases are entered into or on rental review dates. The total expected future sublease payments to be received are $77 million as at 30 June 2019 (2018: $88 million).

12.3 Notes for the statements of cash flows

(a) Reconciliation of net profit after income tax to net cash provided by/ (used in) operating activities

	Group			Bank	
	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Net profit after income tax	**8,590**	9,348	9,952	**7,783**	8,875
(Increase)/decrease in interest receivable	**(36)**	(62)	(14)	**537**	(17)
(Decrease)/increase in interest payable	**(69)**	112	(26)	**(104)**	243
Net (increase)/decrease in assets at fair value through Income Statement (excluding life insurance)	**(4,935)**	1,536	2,788	**(3,089)**	2,079
Net loss/(gain) on sale of controlled entities and associates	**61**	184	(2)	**236**	172
Net movement in derivative assets/liabilities	**6,606**	3,381	(492)	**8,873**	4,830
Net loss/(gain) on sale of property, plant and equipment	**9**	17	(6)	**11**	17
Equity accounting (profit)/loss	**(231)**	(287)	(292)	**63**	7
Loan impairment expense	**1,201**	1,079	1,095	**1,058**	963
Depreciation and amortisation (including asset write downs)	**1,011**	968	1,229	**912**	777
(Decrease)/increase in liabilities at fair value through Income Statement (excluding life insurance)	**(603)**	(258)	121	**(1,013)**	(41)
Increase in other provisions	**783**	156	114	**722**	205
(Decrease)/increase in income taxes payable	**(1,082)**	(461)	603	**(1,573)**	(484)
(Decrease)/increase in deferred tax liabilities	**(457)**	400	(14)	**(27)**	-
Decrease/(increase) in deferred tax assets	**67**	(538)	(573)	**(140)**	(106)
(Increase)/decrease in accrued fees/reimbursements receivable	**(111)**	20	(238)	**(53)**	(68)
(Decrease)/increase in accrued fees and other items payable	**(340)**	631	18	**(775)**	801
Decrease in life insurance contract policy liabilities	**(787)**	(836)	(1,240)	**-**	-
Cash flow hedge ineffectiveness	**(4)**	(4)	(20)	**(6)**	4
Loss/(gain) on changes in fair value of hedged items	**558**	(765)	799	**(624)**	(763)
Dividend received - controlled entities and associates	**-**	-	-	**(1,473)**	(2,085)
Changes in operating assets and liabilities arising from cash flow movements	**6,577**	(15,461)	(15,228)	**7,157**	(15,771)
Other	**1,278**	1,949	619	**635**	1,953
Net cash provided by/(used in) operating activities	**18,086**	1,109	(807)	**19,110**	1,591

(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 19 $M	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 19 $M**	30 Jun 18 $M
Notes, coins and cash at banks	**16,930**	17,110	14,836	**15,633**	15,586
Other short-term liquid assets	**80**	5,895	8,281	**(99)**	5,765
Cash and cash equivalents at end of year	**17,010**	23,005	23,117	**15,534**	21,351

12.3 Notes for the statements of cash flows (continued)

(c) Non-cash financing and investing activities

	Group		
	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M
Shares issued under the Dividend Reinvestment Plan	**748**	2,105	1,143

(d) Disposal of controlled entities

	Group		
	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M
Net assets	**1,128**	-	-
Cash consideration received	**1,304**	-	-
Cash and cash equivalents held in disposed entities	**45**	-	-

12.4 Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group and the Bank, and its network firms:

	Group		Bank	
	30 Jun 19 $'000	30 Jun 18 $'000	**30 Jun 19 $'000**	30 Jun 18 $'000
a) Audit and audit related services				
Audit services				
PricewaterhouseCoopers Australian firm	**23,858**	21,292	**16,776**	14,040
Network firms of PricewaterhouseCoopers Australian firm	**5,334**	5,939	**1,204**	1,027
Total remuneration for audit services	**29,192**	27,231	**17,980**	15,067
Audit related services				
PricewaterhouseCoopers Australian firm	**3,809**	4,416	**2,630**	3,736
Network firms of PricewaterhouseCoopers Australian firm	**1,697**	2,133	**34**	145
Total remuneration for audit related services	**5,506**	6,549	**2,664**	3,881
Total remuneration for audit and audit related services	**34,698**	33,780	**20,644**	18,948
b) Non-audit services				
Taxation services				
PricewaterhouseCoopers Australian firm	**925**	757	**228**	561
Network firms of PricewaterhouseCoopers Australian firm	**470**	1,508	**266**	481
Total remuneration for tax related services	**1,395**	2,265	**494**	1,042
Other Services				
PricewaterhouseCoopers Australian firm	**7,315**	10,955	**7,315**	10,933
Network firms of PricewaterhouseCoopers Australian firm	**600**	66	**3**	-
Total remuneration for other services	**7,915**	11,021	**7,318**	10,933
Total remuneration for non-audit services	**9,310**	13,286	**7,812**	11,975
Total remuneration for audit and non-audit services (1)	**44,008**	47,066	**28,456**	30,923

(1) An additional amount of $10,497,464 (2018: $11,850,256) was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the Financial Statements. Of this amount, $7,521,734 (2018: $8,093,111) relates to audit and audit-related services.

12.4 Remuneration of auditors (continued)

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence. All such services were approved by the Audit Committee in accordance with pre-approved policies and procedures.

Audit related services principally 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 response to the Royal Commission, IT security assessments, and consulting services related to corporate transactions.

12.5 Future accounting developments

Adoption of AASB 16 'Leases'

On 1 July 2019, the Group adopted AASB 16 'Leases' replacing the previous standard AASB 117 'Leases'. AASB 117 required leases to be classified as operating leases or finance leases according to their economic substance at inception of the lease. Finance leases were recognised on the Balance Sheet. Operating leases were not recognised on the Balance Sheet and rent payable was recognised as an expense over the lease term.

AASB 16 introduces a single accounting model for recognising and measuring lease arrangements. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. Lessor accounting remains largely unchanged from the previous standard. Under lessee accounting, AASB 16 requires all leases to be recognised on the Balance Sheet, unless the underlying asset is of low value or the lease has a term of 12 months or less.

From 1 July 2019, the Group will recognise a 'right-of-use asset' representing its right to use leased assets and a 'lease liability', measured as the present value of future lease payments. The income statement will include depreciation of the right-of-use asset and interest expense on the lease liability over the lease term. Total lease expense recognised over the life of a lease remains unchanged as compared to AASB 117, however the timing of expense recognition changes, with a higher expense recognised in the earlier stages of a lease due to the interest expense being determined on the lease liability that amortises over the lease term.

The Group has applied the modified retrospective approach in adopting AASB 16, and measured the right-of-use asset for certain existing premises as if AASB 16 has always been applied. The resulting transition adjustments will be recognised in opening retained profits. For other leases, the right-of-use asset is measured as equal to the lease liability. Under this approach no restatement to comparative information is required. The adoption of AASB 16 is expected to increase assets by approximately $2,755 million and increase liabilities by approximately $2,951 million. This will result in a post-tax decrease in retained profits of $138 million and an increase in deferred tax asset of $58 million. This predominantly relates to leases over the Group's commercial and retail premises. Management judgement applied in determining these values includes the determination of whether an arrangement contains a lease, the term of the lease, the discount rate and future lease cash flows.

Interest Rate Benchmark Reform

Interbank offered rates (IBORs), such as 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 global regulatory community has initiated various programmes to develop alternative benchmarks (known as "IBOR reform") within certain jurisdictions. In response to the uncertainty about the long-term viability of these benchmark rates, the IASB announced in 2018 that it would establish a project to consider the financial reporting implications of the reform. It is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, loan modifications, as well as fair value methodologies and disclosures. In May 2019, the IASB published an Exposure Draft Interest Rate Benchmark Reform which proposes exceptions to specific hedge accounting requirements in IFRS 9 and IAS 39. The IASB expects to issue final guidance later in 2019. The Group is monitoring these developments and continues to assess the expected impact.

12.5 Future accounting developments (continued)

Other Accounting Developments

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 2021. 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.

AASB Interpretation 23 ‘Uncertainty over Income Tax Treatments’ (Interpretation 23) clarifies the recognition and measurement criteria where there is uncertainty over income tax treatments. It requires an assessment of each uncertain tax position to determine whether it is probable that a taxation authority will accept the position. Where it is not considered probable, the effect of the uncertainty will be reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates. The amount will be determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements will be reassessed as and when new facts and circumstances are presented. Interpretation 23 will apply to the Group from 1 July 2019, and is not expected to have a significant impact on the Group.

A revised conceptual framework has been issued, which contains new definitions and recognition criteria for assets, liabilities, income and expenses in the framework. These changes will apply to the Group from 1 July 2020, where the criteria are not inconsistent with the specific requirements of an accounting standard. The changes are not expected to have a significant impact on the Group.

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

12.6 Accounting policies applicable for comparative periods

The Group adopted AASB 9 and AASB 15 on 1 July 2018. The Group’s current accounting policies for the recognition and measurement of financial assets are detailed in Notes 3.1, 3.2, 5.2, 5.3 and 5.4 and the recognition of revenue from contracts with customers is detailed in Note 2.3. A summary of accounting policies that applied to financial instruments and revenue recognition for the comparative periods is provided below.

Financial instruments

The Group classifies its financial assets in the following categories:

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

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

Available-for-sale investments

The Group Available-for-sale (AFS) investments are non-derivative financial assets that are not classified at fair value through the Income Statement or as loans and receivables. They primarily include public debt securities held as part of the Group’s liquidity portfolio. Subsequent to initial recognition, AFS investments are measured at fair value with unrealised gains and losses arising from changes in fair value recognised in the AFS investment reserve within equity, net of applicable income taxes until such investments are sold, collected, otherwise disposed of, or become impaired. Interest, premiums and dividends are recognised in the Income Statement when earned. Foreign exchange gains and losses on AFS equity instruments are recognised directly in equity.

The Group assesses at each Balance Sheet date, whether there is any objective evidence of impairment as a result of one or more events which have an impact on the estimated future cash flows of the AFS investments that can be reliably estimated. For equity securities classified as an AFS investment, the main indicators of impairment are significant changes in the market, economic or legal environment and a significant or prolonged decline in fair value below cost. If any such evidence exists for AFS investments, cumulative losses are removed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of an AFS debt security increases and the increase can be linked objectively to an event occurring after the impairment event, the impairment is reversed through the Income Statement. Impairment losses on AFS equity securities are not reversed. Upon disposal, the accumulated change in fair value within the AFS investments reserve is transferred to the Income Statement and reported within Other Banking Income.

12.6 Accounting policies applicable for comparative periods (continued)

Financial instruments (continued)

Loans and receivables

Loans, bills discounted and other receivables are financial assets, with fixed and determinable payments that are not quoted in an active market. Loans, bills discounted and other receivables include overdrafts, home loans, credit card and other personal lending, term loans, discounted bills and finance leases. Loans and receivables are recognised on settlement date, when funding is advanced to the borrowers. The loans and receivables are initially recognised at their fair value plus directly attributable transaction costs such as broker fees. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method and are presented net of provisions for impairment. Discounted bills are included in this category due to their financing nature, however they meet the definition of a trading asset. They are measured at fair value through the Income Statement with directly attributable transaction costs expensed.

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

Guarantees and other contingent liabilities are accounted for as off Balance Sheet items. Provisioning for these exposures is calculated under AASB 137 ‘Provisions, Contingent Liabilities and Contingent Assets’. Loan assets under committed lending facilities are not recognised until the facilities are drawn upon. However, the Group has determined that it is appropriate to establish provisions in relation to such facilities where a customer has been downgraded. These provisions are disclosed as other liabilities in the Balance Sheet.

Provisions for impairment of financial assets are raised to cover assessed credit related losses where there is objective evidence of impairment (i.e. where the Group does not expect to receive all of the cash flows contractually due). Individually assessed provisions against loans are subject to change as new information becomes available to reassess the level of impairment against a loan.

Loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the Balance Sheet date. Increases or decreases in the provision amount are recognised in the Income Statement.

Financial assets at fair value through the Income Statement

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

Derivative financial instruments

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

Revenue recognition

Lending fees and commission income include:

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

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

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

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

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

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

12.6 Accounting policies applicable for comparative periods (continued)

Revenue recognition (continued)

Net funds management operating income includes fees earned where the Group acts as the Responsible Entity, Trustee or Manager for a number of wholesale, superannuation, and investment funds or trusts. Management fees are recognised over the service period.

Performance fees are recognised when it is probable that the revenue will be received.

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

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

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

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

12.7 Subsequent events

Dividend Reinvestment Plan (DRP)

The Bank expects the DRP for the final dividend for the year ended 30 June 2019 will be satisfied in full by an on-market purchase and transfer of shares of approximately $683 million.

Completion of CFSGAM Sale

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 final sale proceeds of $4.2 billion and a total post tax gain of $1.5 billion (inclusive of separation costs and subject to final tax calculations and completion adjustments).

Update on Aligned Advice businesses

Ceasing to provide licensee services through Financial Wisdom

The Group has decided to cease providing licensee services through Financial Wisdom and will proceed with an assisted closure. The Group will support advisers through an orderly transition to alternative arrangements, including self-licensing or joining another licensee. The Group will also continue to manage customer remediation arising from past issues at Financial Wisdom. The cost of customer remediation for Financial Wisdom has been included in customer remediation provisions recognised by the Group during the year.

Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) advisers to transition to new licensee arrangements

In July 2019, the Group reached a decision to allow CFP-Pathways advisers to transition to self-licensing arrangements or move to another licensee.

The estimated pre-tax costs of supporting the Financial Wisdom and CFP-Pathways businesses, their advisers and their customers through this transition, as well as other internal project costs, is approximately $26 million.

Investment in Klarna Holding AB (Klarna)

The Group has committed an investment of US$100 million into Klarna Holding AB (Klarna), as part of their US$460 million capital raise.
The Group will become Klarna's exclusive partner in Australia and New Zealand and intends to further invest at the parent and local level to support this partnership.

Directors' declaration

The Directors of the Commonwealth Bank of Australia declare that in their opinion:

(a) the consolidated financial statements and notes for the year ended on 30 June 2019, as set out on pages 112 to 271, 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 Group's financial position as at 30 June 2019 and its performance for the year ended 30 June 2019;

(b) there are reasonable grounds to believe that the Commonwealth Bank of Australia will be able to pay its debts as and when they become due and payable.

Note 1.1 of the consolidated financial statements includes a statement of compliance with the International Financial Reporting Standards.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001 (Cth)* for the year ended 30 June 2019.

This declaration is made in accordance with a resolution of the Directors.

C.B. Livingstone

Catherine Livingstone AO
Chairman
7 August 2019

Matt Comyn
Managing Director and Chief Executive Officer
7 August 2019

Independent auditor's report

To the members of the Commonwealth Bank of Australia

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 Group's financial positions as at 30 June 2019 and of their financial performance for the year then ended; and

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 the Group balance sheets as at 30 June 2019;
- the Bank and the Group income statements for the year then ended;
- the Bank and the Group statements of comprehensive income for the year then ended;
- the Bank and the Group statements of changes in equity for the year then ended;
- the Bank and the Group statements of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of this 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

Bank and Group audit scope

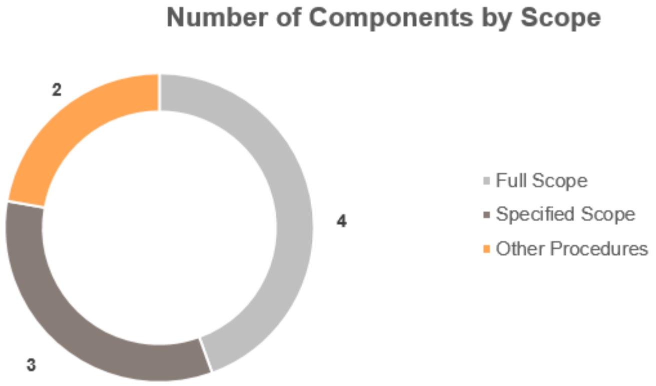
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Bank and the Group, their accounting processes and controls and the industries in which they operate. We also ensured that the audit team had the appropriate skills and competencies needed for the audit of a complex financial services group. This included industry expertise in retail, business and institutional banking, and insurance and wealth management financial services, as well as specialists and experts in IT, actuarial, tax, treasury and valuation.

The Group is structured into 6 business segments being Retail Banking Services (RBS), Business and Private Banking (B&PB), Institutional Banking and Markets (IB&M), Wealth Management (WM), New Zealand (NZ), International Financial Services and Corporate Centre (IFS and Corporate Centre).

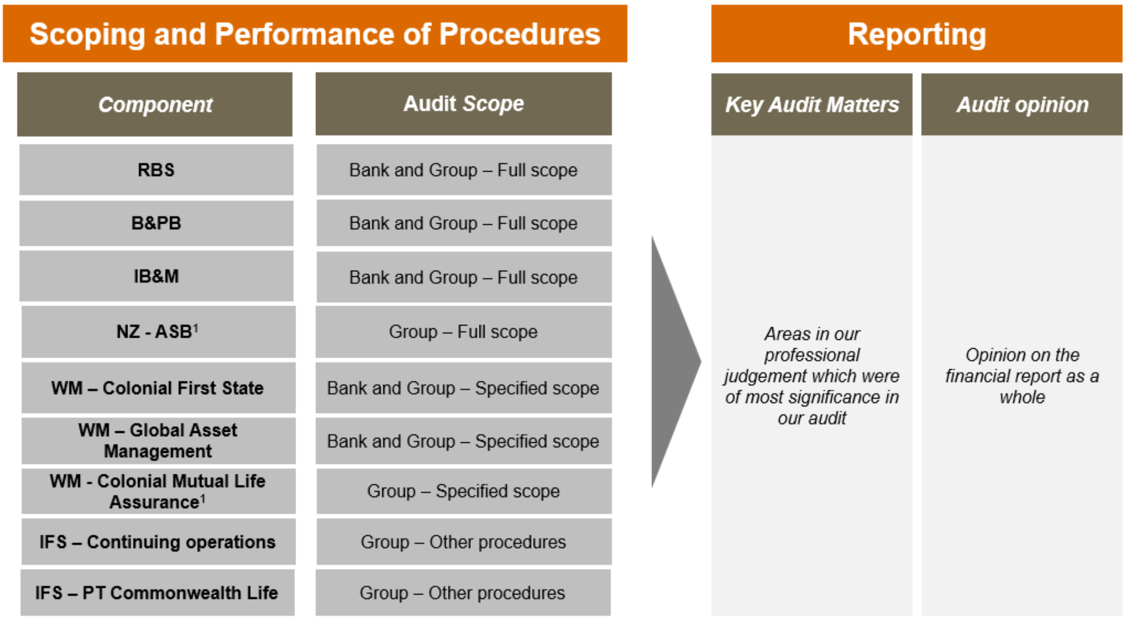
In designing our scope we considered the structure of the Bank and the Group and further identified those entities or business activities within each business segment for which the Bank and the Group prepares financial information for inclusion in the financial report (referred to as components).

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);
- analytical procedures performed at the Group level; or
- audit procedures at a Group level, including over the consolidation of the Group's reporting units and the preparation of the financial report.



Set out on the next page is an overview of our Bank and Group audit approach highlighting key aspects of our audit.



Scoping and Performance of Procedures

Component	*Audit Scope*
RBS	Bank and Group – Full scope
B&PB	Bank and Group – Full scope
IB&M	Bank and Group – Full scope
NZ - ASB[1]	Group – Full scope
WM – Colonial First State	Bank and Group – Specified scope
WM – Global Asset Management	Bank and Group – Specified scope
WM - Colonial Mutual Life Assurance[1]	Group – Specified scope
IFS – Continuing operations	Group – Other procedures
IFS – PT Commonwealth Life	Group – Other procedures

Reporting

Key Audit Matters	*Audit opinion*
Areas in our professional judgement which were of most significance in our audit	*Opinion on the financial report as a whole*

[1] Full scope audits are performed for the purposes of standalone legal entity statutory financial reports as required.

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. Items are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of the financial report.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank and Group materiality for the financial report, which we have set out in the table below:

Overall Bank and Group materiality	$510 million (2018: $615 million)
How we determined it	Approximately 5% of 2019 financial year profit before tax (PBT) (2018: approximately 5% of 2018 financial year PBT) for the Bank.
Rationale for the materiality benchmark applied	We chose net profit before income tax because, in our view, it is the metric against which the performance of the Bank and the Group is most commonly measured and is a generally accepted benchmark in the financial services industry. We performed our audit over both the Bank and the Group financial information concurrently. We apply the lower of materiality calculated based on the Bank or the Group PBT in order to avoid duplication of work. As the Bank has a lower PBT, we calculated materiality based on the Bank PBT and applied this during the audit of both the Bank and the Group. We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable quantitative materiality measures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current 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. We communicated the key audit matters to the Audit and Risk Committee. The key audit matters identified below relate to both the Bank and the Group audit with the exception of the valuation of insurance policy holder liabilities which relates only to the Group.

Key audit matter	*How our audit addressed the key audit matter*
Loan impairment provisions *(Bank and Group Level; Relevant components: RBS, B&PB, IB&M, NZ - ASB)*	
AASB 9 *Financial Instruments* was adopted by the Bank and the Group for the financial year beginning 1 July 2018. Insofar as it applies to loan impairment provisions, AASB 9 introduces an expected credit loss (ECL) impairment model which takes into account forward-looking information reflecting potential future economic events. The Bank and the Group developed new models which are reliant on 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. We considered this a key audit matter due to the subjective judgements made by the Bank and the Group in determining when to recognise impairment provisions including: · Models used to calculate ECLs (ECL models) are inherently complex and judgement is applied in determining the appropriate construct of model to be applied; and · A number of assumptions are made by the Bank and Group concerning the values of inputs to the ECL models and how inputs correlate with one another. Provisions for impairment of loans that exceed specific thresholds are individually assessed by the Bank and the Group. These provisions are	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; 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 actuarial experts, performed the following audit procedures, amongst others on a sample basis: · Assessed the ECL model methodology applied against general market practice and the results of model monitoring performed, including back-testing of actual losses against predicted losses; · Considered the Bank's and the Group's judgements including the reasonableness of forward-looking information incorporated into the ECL

Key audit matter	*How our audit addressed the key audit matter*
Loan impairment provisions *(Bank and Group Level; Relevant components: RBS, B&PB, IB&M, NZ - ASB)*	
established based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Bank and the Group in respect of those loans. During the financial year ended 30 June 2019, the majority of the Bank's and the Group's individually assessed provisions for specific lending assets related primarily to business and corporate loans. ***Relevant references in the financial report*** Refer notes 1.1 and 3.2 for further information.	models by assessing the forecasts, assumptions and probability weightings applied in the multiple economic scenarios; - Agreed a sample of data used as input to the ECL models to relevant source documentations; - Compared the modelled calculations to our own calculated expectations as determined by independently applying the model methodology; and - Assessed the appropriateness of model adjustments identified by the Bank and the Group against internal and external supporting information. For a selection of individually assessed provisions for specific lending assets, we performed the following audit procedures, amongst others: - Examined cashflow forecasts supporting the impairment calculation by assessing judgements (in particular the amount and timing of recoveries) 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; and - Compared inputs in the Bank's and the Group's estimates (such as valuation of collateral held) to external information where available. We also assessed the appropriateness of the Group's disclosures against the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Judgemental valuation of financial instruments *(Bank and Group Level; Relevant components: IB&M, NZ – ASB, WM – Colonial Mutual Life Assurance)*	
The Bank and Group hold financial instruments measured at fair value representing 14% of the total assets and 4% of the total liabilities of the Bank and 15% of the total assets and 4% of the total liabilities of the Group. The financial instruments held at fair value include: · Derivative assets and liabilities; · Investment securities at fair value though other comprehensive income; · Life insurance assets and liabilities; and · Bills discounted and other assets and liabilities designated at fair value. The majority of the Bank's and the Group's financial instruments are considered to be non-complex in nature as fair value is based on prices and rates that can be easily observed in the relevant markets. On this basis the majority of the Bank's and the Group's financial instruments are classified under Australian Accounting Standards as either 'Level 1' (i.e. where key inputs to the valuation is based on quoted prices in the market) or 'Level 2' (i.e. where key inputs to the valuation is based on observable prices in the market). We considered these Level 1 and Level 2 financial instruments to be a key audit matter due to their financial significance to the Bank and the Group. The Group also holds a limited number of financial instruments considered to be 'Level 3' in nature under Australian Accounting Standards (i.e. where key inputs to the valuation require additional judgement as observable inputs are not available in the market due to market illiquidity or complexity of the product) primarily in respect to complex derivatives, certain asset-backed securities and infrastructure funds. While the Bank's and the Group's holdings of such instruments is limited relative to total	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: · Valuation model governance control framework; · Completeness and accuracy of data inputs, including sourcing independent market data inputs; · Methodology for the determination of fair value adjustments; and · The Bank and Group's assessment of its own models used to measure fair value. In relation to the fair value of financial instruments as at 30 June 2019, together with PwC valuation experts, we compared the Bank's and the Group's calculation of fair value to our own independent calculation across a sample of financial instruments. This involved sourcing independent inputs from market data providers or external sources and using our own valuation models. We considered the results to assess whether there was evidence of systemic bias or error in the Bank and the Group's calculation of fair value.

Key audit matter	*How our audit addressed the key audit matter*
Judgemental valuation of financial instruments *(Bank and Group Level; Relevant components: IB&M, NZ – ASB, WM – Colonial Mutual Life Assurance)*	
financial instrument holdings, we considered their valuation to be a key audit matter because there is more judgement involved in determining their value. ***Relevant references in the financial report*** Refer notes 1.1, 4.2, 5.2, 5.3, 5.4 and 9.5 for further information.	

Key audit matter	*How our audit addressed the key audit matter*
Provisions for customer remediation and project costs associated with regulatory compliance matters *(Bank and Group level; Relevant components: All)*	
The Bank and the Group have assessed the need to raise provisions in relation to customer remediation payments, legal proceedings, project costs associated with compliance matters and investigations and reviews from its regulators including APRA's Enforceable Undertaking, amongst others. We considered this a key audit matter due to the subjective judgements required by the Bank and the Group in determining: · the probability of financial outcomes based on available information; · the estimate of customer remediation payment amounts; and · the project costs associated with the remediation activities, and regulatory proceedings, investigations and reviews. ***Relevant references in the financial report*** Refer notes 1.1 and 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 customer remediation payments, legal proceedings and project costs associated with compliance matters and investigations and reviews from its regulators. We read the minutes of the Bank's main governance meetings (i.e. Audit Committee, Risk Committee and Board of Directors), attended the Bank's Audit 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 material provisions, we considered the judgement as to whether there is potential material financial exposure for the Bank and the Group, and if so, the amount of any provision required. This included · inspecting the Bank's and the Group's underlying calculations and assumptions made against available information; and

Key audit matter	*How our audit addressed the key audit matter*
Provisions for customer remediation and project costs associated with regulatory compliance matters *(Bank and Group level; Relevant components: All)*	
	- assessing assumptions in light of historical trends, if possible; or - developing an understanding of the basis of estimating the provisions and discussing the assumptions, including costs of identifying and remediating affected customers. Where the Bank and the Group determined that they were unable to reliably estimate the possible financial impact of a remediation activity or investigations, we considered relevant information available in relation to the activities and investigations to assess the appropriateness of this conclusion. We also assessed the adequacy of related disclosures against the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of insurance policyholder liabilities *(Group Level; Relevant components: WM - Colonial Mutual Life Assurance)*	
We considered this a key audit matter because the Group's valuation of the provisions for the settlement of future insurance claims involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in a material impact to the valuation of these liabilities. The Group's insurance policyholder liabilities relate to the life insurance businesses. In determining the valuation of the liabilities, the key actuarial assumptions made by the Group's experts include: - Expected amount, timing and duration of claims and/or policy payments, likely lapse rates of policies by policyholders, mortality and morbidity rates, acquisition and maintenance expenses; and	To assess the appropriateness of a selection of actuarial assumptions used to determine the value of insurance policyholder liabilities, we along with PwC actuarial experts performed the following audit procedures, amongst others: - Compared the methodology and models used by the Group to those commonly applied in the insurance industry and recognised by regulatory standards; - Developed an understanding of and evaluated the relevant controls the Group has in place over processes relating to the valuation of insurance policyholder liabilities. This included the Group's use of models, the quality of oversight and controls over assumptions within those models, and the Group's preparation of the

Key audit matter	***How our audit addressed the key audit matter***
Valuation of insurance policyholder liabilities *(Group Level; Relevant components: WM - Colonial Mutual Life Assurance)*	
· Long term economic assumptions including inflation rates. ***Relevant references in the financial report*** Refer note 1.1 and 11.3 for further information. WM – Colonial Mutual Life Assurance business segment was classified as a discontinued operation as at 30 June 2019.	manually calculated components of the liability; · Compared inputs (for example inflation rates) used by the Group in calculating the insurance policy liability to relevant supporting evidence, such as external market data; · Considered the impact of changes in assumptions and methodologies over the year and compared these to historical experience and industry trends; · Compared the underlying supporting data relating to policyholder information used in the Group's valuation to source documentation; and · Tested that all relevant policy data was included in the Group's valuation models by reference to source systems.

Key audit matter	***How our audit addressed the key audit matter***
Operation of financial reporting Information Technology (IT) systems and controls *(Bank and Group Level; 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 staff have appropriate access to IT systems, and that access is monitored, are key controls in mitigating the potential for fraud or error as a result of a change to an application or underlying data.	For material financial statement balances we developed an understanding of the business processes, key controls and IT systems used to generate and support those balances. 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: · The technology control environment: the governance processes and controls used to monitor and enforce control consciousness throughout the Group's technology teams; · Change management: the processes and controls used to develop, test and

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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 *(Bank and Group Level; Relevant components: All)*	
The Bank's and the Group's controls over IT systems include: · The framework of governance over IT systems; · Program development and changes; · Access to process, data and IT operations; and · Governance over generic and privileged user accounts.	authorise changes to the functionality and configurations within systems; · System development: the project disciplines which ensure that new systems are developed to meet a defined business need, 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 key operations are used to ensure that any issues that arise are managed appropriately For IT operations 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 system functionality that was key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls. Where we noted design or operating effectiveness matters relating to IT systems and applications controls relevant to our audit, we performed alternative or additional audit procedures.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, 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 297 to 304 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 controls as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the 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:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Our opinion on the Remuneration Report

We have audited the information on pages 87 to 106 included as part of the Remuneration Report on pages 82 to 106 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report 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
7 August 2019

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Shareholder information

Top 20 holders of fully paid Ordinary Shares as at 15 July 2019

Rank	Name of holder	Number of shares	%
1	HSBC Custody Nominees	397,409,964	22. 38
2	J P Morgan Nominees Australia	227,194,600	12. 79
3	Citicorp Nominees Pty Limited	107,321,430	6. 04
4	National Nominees Limited	54,993,385	3. 10
5	BNP Paribas Noms Pty Ltd	52,285,037	2. 94
6	Bond Street Custodians Limited	10,516,197	0. 59
7	Australian Foundation Investment	7,900,000	0. 44
8	Netwealth Investments Limited	3,671,926	0. 21
9	Navigator Australia	3,557,307	0. 20
10	Milton Corporation Limited	3,141,670	0. 18
11	Argo Investments Limited	3,103,731	0. 17
12	Nulis Nominees (Australia)	1,972,809	0. 11
13	Mr Barry Martin Lambert	1,643,613	0. 09
14	McCusker Holdings Pty Ltd	1,480,000	0. 08
15	Invia Custodian Pty Limited	1,466,696	0. 08
16	Australian Executor Trustees Limited <IPS SUPER A/C>	1,390,671	0. 08
17	Australian Executor Trustees	1,128,471	0. 06
18	BNP Paribas Noms (NZ) Ltd <DRP>	1,118,847	0. 06
19	RBC Dexia Investor Services Australia Nominees Pty Limited	1,093,191	0. 06
20	Joy Wilma Lambert	1,068,250	0. 06

The top 20 shareholders hold 883,457,795 shares which is equal to 49.72% of the total shares on issue.

Substantial shareholding

The following organisations have disclosed a substantial shareholding notice to ASX. As at 15 July 2019, the Bank has received no further update in relation to these substantial shareholdings.

Name	Number of shares	Percentage of voting power
BlackRock Group (1)	86,557,665	5
The Vanguard Group, Inc. (2)	88,022,378	5

(1) Substantial shareholder notice dated 16 May 2017.
(2) Substantial shareholder notice dated 20 July 2018.

Stock exchange listing

The shares of the Commonwealth Bank of Australia (Bank) are listed on the Australian Securities Exchange under the trade symbol of CBA, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank. The Bank is not currently in the market conducting an on market buy-back of its shares.

Range of shares (fully paid Ordinary Shares and Employee Shares) as at 15 July 2019

Range	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued capital	Number of rights holders (1)
1 – 1,000	615,436	74. 12	182,687,480	10. 32	528
1,001 – 5,000	186,604	22. 47	388,993,488	21. 97	75
5,001 – 10,000	19,748	2. 38	134,440,420	7. 59	12
10,001 – 100,000	8,345	1. 01	157,362,846	8. 89	20
100,001 and over	174	0. 02	906,755,273	51. 23	1
Total	830,307	100.00	1,770,239,507	100. 00	636
Less than marketable parcel of $500	15,066	1. 81	43,989	0. 00	-

(1) The total number of rights on issue is 1,377,132 rights which carry no entitlement to vote.

Voting rights

Under the Bank's Constitution, each ordinary shareholder registered at the record time who is present at a general meeting of the Bank in person or by proxy, attorney or official representative is entitled:

- On a show of hands – to one vote; and

Shareholder information (continued)

Voting rights (continued)

- On a poll – to one vote for each share held or represented. Every voting shareholder who casts a vote by direct vote shall also have one vote for each share held or represented.

If a person present at a general meeting represents personally or by proxy, attorney or official representative more than one shareholder, on a show of hands the person is entitled to one vote only even though he or she represents more than one shareholder.

If a shareholder is present in person and votes on a resolution, any proxy or attorney of that shareholder is not entitled to vote.

If more than one official representative or attorney is present for a shareholder:

- None of them is entitled to vote on a show of hands; and
- On a poll only one official representative may exercise the shareholder's voting rights and the vote of each attorney shall be of no effect unless each is appointed to represent a specified proportion of the shareholder's voting rights, not exceeding in aggregate 100%.

Top 20 holders of CommBank PERLS VII Capital Notes ("PERLS VII") as at 15 July 2019

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	3,047,409	10. 15
2	BNP Paribas Noms Pty Ltd	1,151,459	3. 84
3	Netwealth Investments Limited	565,792	1. 88
4	Bond Street Custodians Limited	305,473	1. 02
5	Australian Executor Trustees Limited <IPS SUPER A/C>	268,699	0. 90
6	J P Morgan Nominees Australia	243,102	0. 81
7	National Nominees Limited	236,403	0. 79
8	Navigator Australia	198,460	0. 66
9	Nulis Nominees (Australia)	195,930	0. 65
10	Citicorp Nominees Pty Limited	147,285	0. 49
11	Mutual Trust Pty Ltd	131,020	0. 44
12	Australian Executor Trustees	123,924	0. 41
13	Dimbulu Pty Ltd	100,000	0. 33
14	Invia Custodian Pty Limited	93,039	0. 31
15	Tandom Pty Ltd	90,000	0. 30
16	Randazzo C & G Developments Pty Ltd	84,286	0. 28
17	Tsco Pty Ltd	80,000	0. 27
18	Seymour Group Pty Ltd	73,700	0. 25
19	Willimbury Pty Ltd	70,673	0. 24
20	JMB Pty Ltd	67,850	0. 23

The top 20 PERLS VII security holders hold 7,274,504 securities which is equal to 24.25% of the total securities on issue.

Stock exchange listing

PERLS VII are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPD. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS VII) as at 15 July 2019

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	27,458	86. 32	9,341,837	31. 14
1,001 – 5,000	3,846	12. 09	7,719,848	25. 73
5,001 – 10,000	294	0. 92	2,073,041	6. 91
10,001 – 100,000	201	0. 63	4,723,503	15. 75
100,001 and over	14	0. 04	6,141,771	20. 47
Total	31,813	100. 00	30,000,000	100. 00
Less than marketable parcel of $500	10	0. 03	24	0. 00

Voting rights

PERLS VII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 286 and 287 for the Bank's ordinary shares.

Shareholder information (continued)

Top 20 holders of CommBank PERLS VIII Capital Notes ("PERLS VIII") as at 15 July 2019

Rank	Name of holder	Number of securities	%
1	BNP Paribas Noms Pty Ltd	3,154,343	21. 75
2	HSBC Custody Nominees	1,056,658	7. 29
3	Nora Goodridge Investments Pty Limited	130,328	0. 90
4	J P Morgan Nominees Australia	103,494	0. 71
5	Netwealth Investments Limited	99,456	0. 69
6	Piek Holdings Pty Ltd	93,000	0. 64
7	Snowside Pty Ltd <SNOWSIDE A/C>	79,083	0. 55
8	Nulis Nominees (Australia)	72,445	0. 50
9	Bond Street Custodians Limited	67,295	0. 46
10	V S Access Pty Ltd <V S ACCESS A/C>	62,482	0. 43
11	Dimbulu Pty Ltd	50,000	0. 35
12	Mifare Pty Ltd	50,000	0. 35
13	Randazzo C & G Developments Pty Ltd	50,000	0. 35
14	Navigator Australia	48,837	0. 34
15	Adirel Holdings Pty Ltd	47,000	0. 32
16	Resthaven Incorporated	45,500	0. 31
17	Federation University Australia	45,000	0. 31
18	Australian Executor Trustees Limited <IPS Super A/C>	40,485	0. 28
19	Taverners J Pty Ltd <TAVERNERS INT UNIT A/C>	37,736	0. 26
20	Citicorp Nominees Pty Limited	36,959	0. 25

The top 20 PERLS VIII security holders hold 5,370,101 securities which is equal to 37.04% of the total securities on issue.

Stock exchange listing

PERLS VIII are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPE. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS VIII) as at 15 July 2019

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	13,166	88. 92	4,271,200	29. 46
1,001 – 5,000	1,443	9. 74	3,046,293	21.01
5,001 – 10,000	122	0. 82	905,144	6.24
10,001 – 100,000	72	0. 49	1,987,221	13.70
100,001 and over	5	0. 03	4,290,142	29.59
Total	14,808	100. 00	14,500,000	100.00
Less than marketable parcel of $500	4	0. 03	11	0.00

Voting rights

PERLS VIII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 286 and 287 for the Bank's ordinary shares.

Shareholder information (continued)

Top 20 holders of CommBank PERLS IX Capital Notes ("PERLS IX") as at 15 July 2019

Rank	Name of holder	Number of securities	%
1	BNP Paribas Noms Pty Ltd	2,589,716	15.79
2	HSBC Custody Nominees	1,413,464	8.63
3	Navigator Australia	203,372	1.24
4	Bond Street Custodians Limited	173,879	1.06
5	Dimbulu Pty Ltd	147,700	0.90
6	Mutual Trust Pty Ltd	124,678	0.76
7	Netwealth Investments Limited	113,297	0.69
8	Nulis Nominees (Australia)	103,288	0.63
9	J P Morgan Nominees Australia	100,576	0.61
10	Citicorp Nominees Pty Limited	95,806	0.58
11	Australian Executor Trustees Limited <IPS Super A/C>	94,382	0.58
12	Australian Executor Trustees	84,463	0.52
13	National Nominees Limited	83,936	0.51
14	Fibora Pty Ltd	59,590	0.36
15	Invia Custodian Pty Limited	54,551	0.33
16	Ernron Pty Ltd <ERNRON A/C>	34,530	0.21
17	Sir Moses Montefiore Jewish Home <INCOME A/C>	30,660	0.19
18	Pendant Realty Pty Ltd	30,000	0.18
19	Port Stephens Veterans and Aged Care Ltd	30,000	0.18
20	J C Family Investments Pty Limited <J HERRINGTON SUPER FUND A/C>	25,843	0.16

The top 20 PERLS IX security holders hold 5,593,731 securities which is equal to 34.11% of the total securities on issue.

Stock exchange listing

PERLS IX are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPF. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS IX) as at 15 July 2019

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	18,464	90.44	5,742,936	35.02
1,001 – 5,000	1,755	8.60	3,618,114	22.06
5,001 – 10,000	124	0.61	920,287	5.61
10,001 – 100,000	62	0.30	1,476,149	9.00
100,001 and over	10	0.05	4,642,514	28.31
Total	20,415	100.00	16,400,000	100.00
Less than marketable parcel of $500	6	0.03	12	0.00

Voting rights

PERLS IX do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 286 and 287 for the Bank's ordinary shares.

Shareholder information (continued)

Top 20 holders of CommBank PERLS X Capital Notes ("PERLS X") as at 15 July 2019

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	1,427,800	10.46
2	BNP Paribas Noms Pty Ltd	1,111,081	8.14
3	Netwealth Investments Limited	119,572	0.88
4	Navigator Australia	114,154	0.84
5	Citicorp Nominees Pty Limited	104,896	0.77
6	Bond Street Custodians Limited	101,114	0.74
7	Dimbulu Pty Ltd	100,000	0.73
8	Randazzo C & G Developments Pty Ltd	80,000	0.59
9	National Nominees Limited	77,946	0.57
10	Rakio Pty Ltd <PIEKARSKI GYMPIE A/C>	77,000	0.56
11	J P Morgan Nominees Australia	62,051	0.45
12	Eastcote Pty Ltd <VAN LIESHOUT FAMILY A/C>	50,000	0.37
13	Federation University Australia	50,000	0.37
14	Harriette & Co Pty Ltd <HARRIETTE INVESTMENT A/C>	50,000	0.37
15	Hanson Tsai Pty Ltd <HANSON A/C>	43,900	0.32
16	Mr Roni G Sikh	40,492	0.30
17	Mutual Trust Pty Ltd	40,228	0.29
18	Ainsley Heath Investments Pty Ltd	35,500	0.26
19	Invia Custodian Pty Limited <INCOME POOL A/C>	34,215	0.25
20	Australian Executor Trustees Limited <IPS SUPER A/C>	33,217	0.24

The top 20 PERLS X security holders hold 3,753,166 securities which is equal to 27.50% of the total securities on issue.

Stock exchange listing

PERLS X are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPG. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS X) as at 15 July 2019

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	14,000	88.58	4,720,603	34.58
1,001 – 5,000	1,607	10.17	3,508,304	25.70
5,001 – 10,000	121	0.77	931,659	6.83
10,001 – 100,000	72	0.46	2,061,634	15.10
100,001 and over	3	0.02	2,427,800	17.79
Total	15,803	100.00	13,650,000	100.00
Less than marketable parcel of $500	3	0.02	9	0.00

Voting rights

PERLS X do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 286 and 287 for the Bank's ordinary shares.

Shareholder information (continued)

Top 20 holders of CommBank PERLS XI Capital Notes (“PERLS XI”) as at 15 July 2019

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	1,372,735	8.64
2	Netwealth Investments Limited	244,889	1.54
3	BNP Paribas Noms Pty Ltd	211,807	1.33
4	Australian Executor Trustees Limited <IPS SUPER A/C>	150,421	0.95
5	Bond Street Custodians Limited	150,160	0.94
6	Dimbulu Pty Ltd	150,000	0.94
7	J P Morgan Nominees Australia	133,620	0.84
8	National Nominees Limited	119,032	0.75
9	Navigator Australia	103,313	0.65
10	Eastcote Pty Limited	100,000	0.63
11	G Harvey Investments Pty Limited	100,000	0.63
12	Citicorp Nominees Pty Limited	86,389	0.54
13	V S Access Pty Ltd	80,000	0.50
14	Nulis Nominees (Australia)	79,018	0.50
15	Australian Executor Trustees	76,171	0.48
16	Edgelake Proprietary Limited <EDGELAKE A/C>	49,267	0.31
17	Pamdale Investments Pty Ltd	46,860	0.29
18	J Santini Development Pty Ltd <J SANTINI DEVELOPMENT A/C>	46,000	0.29
19	V S Access Pty Ltd <V S ACCESS A/C>	42,718	0.27
20	Junax Capital Pty Ltd	40,000	0.25

The top 20 PERLS XI security holders hold 3,382,400 securities which is equal to 21.27% of the total securities on issue.

Stock exchange listing

PERLS XI are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPH. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS XI) as at 15 July 2019

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	17,225	88.31	6,018,262	37.85
1,001 – 5,000	2,029	10.40	4,286,713	26.96
5,001 – 10,000	167	0.86	1,231,903	7.75
10,001 – 100,000	75	0.38	1,994,930	12.55
100,001 and over	9	0.05	2,368,192	14.89
Total	19,505	100.00	15,900,000	100.00
Less than marketable parcel of $500	7	0.04	10	0.00

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 286 and 287 for the Bank’s ordinary shares.

Five year financial summary

	30 Jun 19 $M	30 Jun 18 (1) $M	30 Jun 17 (1) $M	30 Jun 16 $M	30 Jun 15 $M
Net interest income	**18,120**	18,342	17,546	16,858	15,827
Other operating income (2)	**6,291**	6,580	6,831	7,043	7,751
Total operating income	**24,411**	24,922	24,377	23,901	23,578
Operating expenses	**(11,269)**	(10,995)	(10,129)	(9,957)	(10,003)
Impairment expense	**(1,201)**	(1,079)	(1,095)	(1,256)	(988)
Net profit before tax	**11,941**	12,848	13,153	12,688	12,587
Income tax expense	**(3,437)**	(3,920)	(3,752)	(3,497)	(3,439)
Non-controlling interests	**(12)**	(13)	(13)	(20)	(21)
Net profit after tax from continuing operations ("cash basis")	**8,492**	8,915	9,388	9,171	9,127
Net profit after tax from discontinued operations	**214**	497	493	274	-
Net profit after tax ("cash basis")	**8,706**	9,412	9,881	9,445	9,127
Treasury shares valuation adjustment	**6**	2	(23)	4	(28)
Hedging and IFRS volatility	**(79)**	101	73	(199)	6
(Loss)/gain on disposal of controlled entities/investments	**(61)**	(183)	-	-	-
Bankwest non-cash items	**(1)**	(3)	(3)	(27)	(52)
Net profit after income tax attributable to Equity holders of the Bank "statutory basis"	**8,571**	9,329	9,928	9,223	9,053
Contributions to profit (after tax)					
Retail Banking Services	**4,267**	4,823	4,423	4,540	3,994
Business and Private Banking	**2,658**	2,845	2,736	1,522	1,495
Institutional Banking and Markets	**1,071**	1,170	1,360	1,190	1,285
Wealth Management	**160**	255	201	400	643
New Zealand	**1,050**	975	871	785	882
Bankwest	**-**	-	-	778	795
IFS and Other	**(714)**	(1,153)	(203)	(44)	33
Net profit after tax from continuing operations ("cash basis")	**8,492**	8,915	9,388	9,171	9,127
Investment experience after tax	**3**	(4)	(7)	(24)	(150)
Net profit after tax "underlying basis"	**8,495**	8,911	9,381	9,147	8,977
Balance Sheet					
Loans, bills discounted and other receivables	**755,141**	743,365	731,762	695,398	639,262
Total assets	**976,502**	975,165	976,318	932,945	873,489
Deposits and other public borrowings	**636,040**	622,234	626,655	588,045	543,231
Total liabilities	**906,853**	907,305	912,658	872,437	820,684
Shareholders' Equity	**69,649**	67,860	63,660	60,508	52,805
Net tangible assets (including discontinued operations)	**59,580**	56,844	53,090	49,630	41,334
Risk weighted assets - Basel III (APRA)	**452,762**	458,612	437,063	394,667	368,721
Average interest earning assets	**864,174**	854,264	834,741	790,596	736,164
Average interest bearing liabilities	**761,115**	759,583	755,612	733,754	693,376
Assets (on Balance Sheet) - Australia	**824,651**	811,491	817,519	783,114	741,249
Assets (on Balance Sheet) - New Zealand	**99,661**	94,622	89,997	83,832	72,299
Assets (on Balance Sheet) - Other	**52,190**	69,052	68,802	65,999	59,941

(1) Comparative information for 2018 and 2017 has been restated to reflect the change in accounting policy detailed in Note 1.1 and refinements to the allocation of customer balances.

(2) Includes investment experience.

Five year financial summary (continued)

	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Shareholder summary from continuing operations (1)					
Earnings per share (cents)					
Basic					
Statutory	**473. 7**	518. 8	549. 9	525. 6	553. 1
Cash basis	**480. 8**	510. 3	545. 4	538. 3	556. 9
Fully diluted					
Statutory	**457. 5**	503. 2	532. 9	513. 3	539. 1
Cash basis	**464. 2**	495. 2	528. 7	525. 4	542. 7
Shareholder summary including discontinued operations					
Earnings per share (cents)					
Basic					
Statutory	**485. 6**	534. 3	577. 3	542. 0	553. 1
Cash basis	**493. 0**	538. 8	574. 1	554. 5	556. 9
Fully diluted					
Statutory	**468. 6**	517. 7	558. 8	529. 0	539. 1
Cash basis	**475. 4**	522. 0	555. 8	540. 9	542. 7
Dividends per share - fully franked (cents)	**431**	431	429	420	420
Dividend cover - statutory (times)	**1. 1**	1. 1	1. 3	1. 3	1. 3
Dividend cover - cash (times)	**1. 1**	1. 2	1. 3	1. 3	1. 3
Dividend payout ratio (%)					
Statutory	**89. 0**	81. 2	74. 6	78. 4	75. 8
Cash basis	**87. 6**	80. 4	75. 0	76. 5	75. 2
Net tangible assets per share ($) including discontinued operations	**33. 7**	32. 3	30. 7	28. 9	25. 4
Weighted average number of shares (statutory basic) (M)	**1,765**	1,746	1,720	1,692	1,627
Weighted average number of shares (statutory fully diluted) (M)	**1,897**	1,852	1,816	1,771	1,711
Weighted average number of shares (cash basic) (M)	**1,766**	1,747	1,721	1,694	1,630
Weighted average number of shares (cash fully diluted) (M)	**1,898**	1,853	1,817	1,773	1,714
Number of shareholders (1) (2) (3)	**831,655**	851,539	844,527	857,052	820,462
Share prices for the year ($)					
Trading high	**83. 99**	85. 12	87. 74	88. 88	96. 69
Trading low	**65. 23**	67. 22	69. 22	69. 79	73. 57
End (closing price)	**82. 78**	72. 87	82. 81	74. 37	85. 13

(1) Comparative information for 2018 and 2017 has been restated to reflect the change in accounting policy detailed in Note 1.1.

(2) This includes employees.

(3) Comparative information for 2016 and 2015 has been restated to include employees.

Five year financial summary (continued)

	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Performance ratios (%) from continuing operations (1)					
Return on average Shareholders' Equity					
Statutory	**12. 3**	13. 9	15. 4	15. 8	18. 2
Cash basis	**12. 5**	13. 6	15. 3	16. 1	18. 2
Return on average total assets					
Statutory	**0. 9**	0. 9	1. 0	1. 0	1. 1
Cash basis	**0. 9**	0. 9	1. 0	1. 0	1. 1
Net interest margin	**2. 10**	2. 15	2. 10	2. 13	2. 15
Performance ratios (%) including discontinued operations					
Return on average Shareholders' Equity					
Statutory	**12. 6**	14. 3	16. 2	16. 3	18. 2
Cash basis	**12. 8**	14. 4	16. 0	16. 6	18. 2
Return on average total assets					
Statutory	**0. 9**	1. 0	1. 0	1. 0	1. 1
Cash basis	**0. 9**	1. 0	1. 0	1. 0	1. 1
Capital adequacy - Common Equity Tier 1 - Basel III (APRA)	**10. 7**	10. 1	10. 1	10. 6	9. 1
Capital adequacy - Tier 1 - Basel III (APRA)	**12. 7**	12. 3	12. 1	12. 3	11. 2
Capital adequacy - Tier 2 - Basel III (APRA)	**2. 8**	2. 7	2. 1	2. 0	1. 5
Capital adequacy - Total - Basel III (APRA)	**15. 5**	15. 0	14. 2	14. 3	12. 7
Leverage Ratio Basel III (APRA) (%)	**5. 6**	5. 5	5. 1	5. 0	n/a
Liquidity Coverage Ratio - "Spot Basis" (%)	**129**	131	129	120	120
Net interest margin	**2. 11**	2. 15	2. 11	2. 14	2. 15
Other information (numbers)					
Full-time equivalent employees from continuing operations (1)	**42,921**	42,462	42,359	43,178	45,948
Full-time equivalent employees including discontinued operations	**45,165**	45,753	45,614	45,129	45,948
Branches/services centres (Australia)	**1,172**	1,082	1,121	1,131	1,147
Agencies (Australia)	**3,560**	3,589	3,664	3,654	3,670
ATMs	**3,963**	4,253	4,398	4,381	4,440
EFTPOS terminals (active)	**217,608**	219,245	217,098	217,981	208,202
Productivity from continuing operations (1) (2)					
Total operating income per full-time (equivalent) employee ($)	**568,644**	591,876	579,023	552,805	508,578
Employee expense/Total operating income (%)	**24. 2**	21. 8	22. 4	24. 1	24. 9
Total operating expenses/Total operating income (%)	**46. 2**	44. 1	41. 6	41. 7	42. 8
Productivity including discontinued operations (1) (2)					
Total operating income per full-time (equivalent) employee ($)	**540,391**	580,859	568,685	545,237	508,578
Employee expense/Total operating income (%)	**25. 5**	23. 2	24. 0	24. 4	24. 9
Total operating expenses/Total operating income (%)	**47. 8**	45. 5	41. 7	42. 4	42. 8

(1) Comparative information has been restated for 2018 and 2017 to align to presentation in the current year.
(2) The productivity metrics have been calculated on a cash basis.

Profit reconciliation

	Full Year Ended 30 June 2019						
Profit Reconciliation	**Net profit after tax "cash basis" $M**	(Loss)/gain on disposal and acquisition of controlled entities [1] $M	Hedging and IFRS volatility $M	Bankwest non-cash items [2] $M	Treasury shares valuation adjustment $M	Investment experience $M	**Net profit after tax "statutory basis" $M**
Group							
Interest income [3]	**34,588**	-	-	-	-	-	**34,588**
Interest expense	**(16,468)**	-	-	-	-	-	**(16,468)**
Net interest income	**18,120**	-	-	-	-	-	**18,120**
Other banking income	**5,068**	42	(116)	-	-	-	**4,994**
Total banking income	**23,188**	42	(116)	-	-	-	**23,114**
Funds management income	**1,072**	-	-	-	-	1	**1,073**
Insurance income	**147**	-	-	-	-	3	**150**
Total operating income	**24,407**	42	(116)	-	-	4	**24,337**
Investment experience	**4**	-	-	-	-	(4)	**-**
Total income	**24,411**	42	(116)	-	-	-	**24,337**
Operating expenses	**(11,269)**	(102)	-	(2)	-	-	**(11,373)**
Loan impairment expense	**(1,201)**	-	-	-	-	-	**(1,201)**
Net profit before tax	**11,941**	(60)	(116)	(2)	-	-	**11,763**
Income tax (expense)/benefit	**(3,437)**	8	37	1	-	-	**(3,391)**
Non-controlling interests	**(12)**	-	-	-	-	-	**(12)**
Net profit after income tax from continuing operations	**8,492**	(52)	(79)	(1)	-	-	**8,360**
Net profit after income tax from discontinued operations [4]	**214**	(9)	-	-	6	-	**211**
Net profit after income tax	**8,706**	(61)	(79)	(1)	6	-	**8,571**

(1) Continuing operations net profit after tax includes: $54 million separation costs for NewCo, $33 million impairment loss and transaction costs associated with the disposal of Count Financial, partly offset by a $35 million net gain on acquisition and disposals of other businesses. Discontinued operations net profit after tax includes: $82 million transaction and separation costs associated with the disposal of CommInsure Life, $71 million transaction and separation costs associated with the disposal of CFSGAM, partly offset by $135 million gain net of transaction and separation costs associated with the disposal of Sovereign and $9 million net gain on acquisitions and disposals of other businesses.

(2) Includes merger related amortisation through operating expenses of $2 million, and an income tax benefit of $1 million.

(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.

Profit reconciliation (continued)

	Full Year Ended 30 June 2018 [1]						
Profit Reconciliation	**Net profit after tax "cash basis" $M**	(Loss)/gain on disposal and acquisition of controlled entities [2] $M	Hedging and IFRS volatility $M	Bankwest non-cash items [3] $M	Treasury shares valuation adjustment $M	Investment experience $M	**Net profit after tax "statutory basis" $M**
Group							
Interest income [4]	**34,144**	-	-	-	-	-	**34,144**
Interest expense	**(15,802)**	-	-	-	-	-	**(15,802)**
Net interest income	**18,342**	-	-	-	-	-	**18,342**
Other banking income	**5,215**	65	143	-	-	-	**5,423**
Total banking income	**23,557**	65	143	-	-	-	**23,765**
Funds management income	**1,119**	-	-	-	-	5	**1,124**
Insurance income	**238**	-	-	-	-	3	**241**
Total operating income	**24,914**	65	143	-	-	8	**25,130**
Investment experience	**8**	-	-	-	-	(8)	**-**
Total income	**24,922**	65	143	-	-	-	**25,130**
Operating expenses	**(10,995)**	(30)	-	(4)	-	-	**(11,029)**
Loan impairment expense	**(1,079)**	-	-	-	-	-	**(1,079)**
Net profit before tax	**12,848**	35	143	(4)	-	-	**13,022**
Income tax (expense)/benefit	**(3,920)**	9	(42)	1	-	-	**(3,952)**
Non-controlling interests	**(13)**	-	-	-	-	-	**(13)**
Net profit after income tax from continuing operations	**8,915**	44	101	(3)	-	-	**9,057**
Net profit after income tax from discontinued operations [5]	**497**	(227)	-	-	2	-	**272**
Net profit after income tax	**9,412**	(183)	101	(3)	2	-	**9,329**

(1) Comparative information has been restated to conform to presentation in the current year.
(2) Continuing operations net profit after tax includes: $58 million gain recognised on acquisition of AHL, $11 million gain on sale of County Banks, partly offset by $21 million demerger costs for NewCo and $4 million loss due to the dilution of the Group's interest in Qilu Bank Co. Ltd. Discontinued operations net profit after tax includes: $118 million transaction and separation costs associated with the disposal of CommInsure Life, $91 million impairment due to the reclassification of TymeDigital SA as a discontinued operation and $18 million transaction and separation costs associated with the disposal of Sovereign.
(3) Includes merger related amortisation through operating expenses of $4 million, and an income tax benefit of $1 million.
(4) Interest income includes total effective interest income and other interest income.
(5) Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Environmental, customer, social and governance metrics

The Group's wholly owned and operated entities includes Commonwealth Bank of Australia (CBA), Bankwest, ASB, PT Bank Commonwealth and others. All metrics capture data of the wholly owned and operated entities of the Commonwealth Bank Group (the Group), excluding Aussie Home Loans (AHL), associates and joint ventures such as equigroup unless otherwise stated.

PwC has provided limited assurance on the metrics below, excluding the low carbon transition, for the year ended 30 June 2019. The PwC Limited Assurance Report is available on page 305 and 306.

Environmental metrics

Greenhouse Gas Emissions (Group)	**tCO_2-e**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Total of Scope 1, 2 & 3 emissions		**185,624**	181,771	197,439	210,447	222,631
Scope 1 Emissions		**7,624**	8,740	9,694	9,063	9,729
Scope 2 Emissions		**78,757**	87,277	96,595	107,762	115,580
Scope 3 Emissions (1)		**99,243**	85,754	91,150	93,622	97,322
Greenhouse Gas Emissions per FTE (Scope 1 & 2)		**1. 9**	2. 1	2. 3	2. 6	2. 7

Greenhouse Gas Emissions (Australia)	**tCO_2-e**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Total of Scope 1, 2 & 3 emissions		**166,393**	156,553	168,686	180,898	190,936
Scope 1 Emissions		**6,983**	7,257	7,411	7,682	8,025
Scope 2 Emissions		**71,128**	76,866	83,723	94,255	101,125
Scope 3 Emissions (1)		**88,282**	72,430	77,553	78,961	81,786
Greenhouse Gas Emissions per FTE (Scope 1 & 2)		**2. 1**	2. 3	2. 6	2. 9	3. 0

Greenhouse Gas Emissions (New Zealand)	**tCO_2-e**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Total of Scope 1, 2 & 3 emissions		**6,279**	9,030	7,822	8,599	8,640
Scope 1 Emissions		**82**	733	1,348	436	632
Scope 2 Emissions		**1,938**	2,462	2,661	3,213	3,393
Scope 3 Emissions		**4,259**	5,834	3,813	4,950	4,615

Greenhouse Gas Emissions (Other overseas)	**tCO_2-e**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Total of Scope 1, 2 & 3 emissions		**13,288**	16,189	20,930	20,950	23,055
Scope 1 Emissions		**559**	750	935	945	1,072
Scope 2 Emissions		**5,690**	7,949	10,211	10,294	11,062
Scope 3 Emissions		**7,039**	7,490	9,784	9,711	10,921

(1) FY19 Scope 3 emissions include emissions from base buildings and paper use for the first time.

Environmental metrics (continued)

Australia Operations

Scope 1 Greenhouse Gas Emissions	**tCO_2-e**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Stationary Emissions - Total		**357**	389	541	663	1,167
Stationary Emissions - Natural gas (1)		**332**				
Stationary Emissions - Diesel (1)		**25**				
Transport Emissions		**6,626**	6,868	6,870	7,019	6,858

Scope 2 Greenhouse Gas Emissions	**tCO_2-e**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Purchased Electricity		**71,128**	76,866	83,723	94,255	101,125

Scope 3 Greenhouse Gas Emissions	**tCO_2-e**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Stationary Emissions		**73**	79	116	133	238
Purchased Electricity		**8,272**	10,021	10,503	12,453	13,989
Data Centres		**38,182**	39,647	44,052	41,261	38,247
Waste to Landfill		**1,401**	1,334	1,306	1,663	1,130
Transport Emissions		**20,531**	21,349	21,576	23,451	28,182
Office Paper Use (1)		**30**				
Base Building Emissions (1)		**19,793**				

(1) Reported for the first time in 2019.

Environmental metrics (continued)

Waste (Australia)	**t**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Total Waste		**2,898**	2,891	2,325	1,407	1,855
Waste to landfill (Commercial operations)		**1,167**	1,088	680	755	960
Waste recycled (Commercial operations)		**835**	804	590	652	895
Waste secure (Commercial operations) (1)		**896**	999	1,055		

Water (Australia)	**kL**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Total water (2)		**216,102**	172,134	171,477	114,608	90,784
Commercial operations (2)		**189,997**	138,696	130,353	73,537	51,800
Data centre		**26,105**	33,438	41,124	41,071	38,984

Energy (Australia) (1)	**GJ**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Energy consumption - Total		**594,360**	625,222	684,744	716,995	718,911
Fuels		**112,675**	112,671	129,671	142,418	139,394
Purchased electricity		**313,065**	339,270	365,617	399,781	414,733
Data centre electricity		**168,620**	173,281	189,456	174,796	164,784

Office paper usage (Australia) (1)	**t**	**30 Jun 19**	30 Jun 18	30 Jun 17
Office paper (A3 and A4)		**570**	629	750

Low carbon transition (3)		**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Renewable energy lending exposure	**$M**	**3,644**	3,716	2,800	2,200	1,400
Business lending emissions intensity(4)	**(kgCO$_2$-e/AUD)**	**N/A** (5)	0. 26	0. 28	0. 29	0. 28
Climate bond arrangement	**$M**	**1,845**	2,014	1,018	50	

(1) Reported for the first time in 2019.
(2) FY19 commercial water use includes new commercial buildings and old commercial buildings that have not been vacated.
(3) Low carbon metrics have not been covered by the PwC limited assurance report.
(4) For methodology and further details, please refer to www.commbank.com.au/about-us/opportunity-initiatives/performance-reporting.
(5) Our methodology for estimating financed emissions relies on client-specific data, which limits the timing for conducting this assessment.

Customer metrics

Customer satisfaction		**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
CBA - Retail Net Promoter Score (NPS) (1)	**#**	**(10. 0)**				
Rank		**3rd**				
CBA - Retail Net Promoter Score (NPS) (1)	**#**		4. 2	1. 7	1. 8	3. 9
Rank			1st	1st	1st	2nd
CBA - Online NPS	**#**	**30. 9**	31. 3			
Rank		**1st**	1st			
CBA - Business NPS	**#**	**(22. 4)**	(19. 6)	(13. 1)	(13. 0)	0. 2
Rank		**3rd**	4th	1st	3rd	2nd
Bankwest - Retail Banking NPS (1)	**#**	**(11. 4)**				
Bankwest - Retail Banking Customer Advocacy (1)	**out of 10**		7. 4	7. 4	7. 6	7. 4
Bankwest - Business Banking NPS (1)	**#**	**0. 9**				
Bankwest - Business Banking Customer Advocacy (1)	**out of 10**		7. 5	7. 2	7. 8	7. 2
ASB - Retail Banking Customer Satisfaction	**%**	**74. 8**	76. 3	74. 4	74. 5	73. 0
Rank		**3rd**	3rd	3rd	3rd	3rd
ASB - Business and Rural Banking Customer Satisfaction	**%**	**68. 0**	74. 0	75. 0	78. 0	76. 0
Rank		**1st**	1st	1st	1st	1st
PT Bank Commonwealth - Banking Service Excellence Performance	**%**	**86. 4**	84. 5	70. 0	68. 3	84. 7
Rank		**1st**	1st	7th	8th	3rd

Customer complaints	**#**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16
Customer Complaints - Resolved		**69,503**	62,073	53,813	42,673
Customer Complaints - Number escalated to an external dispute resolution (EDR) scheme (2)		**6,665**			
Customer Complaints - Privacy Complaints (2)		**22**	22	15	

(1) June 2019 NPS results now sourced from DBM Consumer Atlas and based on Priority Customer Segment. Previously reported by Roy Morgan Research with results based on Total Market. The NPS was previously reported using a score out of 10 and now on a scale of negative 100 to positive 100 by DBM Consumer Atlas. Results are not comparable over time.

(2) Reported for the first time in 2019.

Social metrics

Full-time equivalent (FTE) employees (1)	**#**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Total		**45,165**	45,753	45,614	45,129	45,948
Australia		**37,137**	36,446	35,701	35,273	35,797
New Zealand		**5,038**	5,538	5,409	5,518	5,371
Others		**2,990**	3,769	4,504	4,338	4,780

Employment type (Headcount) (1) (2)	**#**	**30 Jun 19**
Full-time (3)		**33,125**
Part-time (3)		**7,900**
Casual (3)		**438**

Headcount (1)	**#**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Total (3)		**50,482**	51,371	51,779	51,120	52,605

Employee engagement	**%**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Employee engagement index - CBA		**68**	72	78	77	81
Employee turnover (voluntary)		**11.3**	11.8	10.1	11.3	10.2
Employee turnover (involuntary) (3)		**4. 0**	4. 2			

Gender diversity	**%**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Women in workforce		**57. 2**	57. 4	57. 8	58. 0	58. 5
Women in Manager and above roles		**45. 0**	44. 6	44. 4	43. 6	43. 2
Women in Executive Manager and above roles		**39. 1**	37. 6	36. 7	35. 2	33. 9
Women in Senior Leadership (Group Executives)		**22. 2**	20. 0			

Gender pay equity - female to male base salary comparison	**Ratio**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16
Executive General Manager		**0. 97**	0. 94	0. 95	0. 96
General Manager		**0. 98**	0. 99	1. 03	0. 99
Executive Manager		**0. 99**	1. 00	1. 00	1. 00
Manager / Professional		**0. 99**	0. 98	0. 98	0. 99
Team Member		**1. 01**	1. 00	1. 00	0. 99

Age diversity	**%**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
<25 years		**7. 4**	7. 3	8. 1	8. 3	8. 9
25-34 years		**31. 5**	33. 2	34. 8	35. 9	36. 9
35-44 years		**31. 9**	31. 0	29. 7	29. 5	29. 1
45-54 years		**19. 9**	19. 5	18. 9	18. 5	17. 8
55-64 years		**8. 4**	8. 0	7. 6	7. 2	6. 8
65+ years		**0. 9**	0. 8	0. 6	0. 6	0. 5

(1) FTE and headcount numbers include discontinued operations.
(2) Employment type breakdown excludes ASB, fixed term contractors and contingent workers.
(3) Reported for the first time in 2019.

Social metrics (continued)

Cultural diversity based on ancestry - 2019	**Cultural Index (CDI) #**	**Australia, NZ British, Irish %**	**Europe %**	**Asia %**	**Africa, Middle East %**	**Americas %**	**Indigenous, Pacific Islanders %**
CBA overall	0. 78	50. 02	14. 79	28. 41	3. 10	1. 42	2. 26
General Manager and above	0. 54	72. 32	13. 99	7. 14	3. 87	2. 08	0. 60
Executive Manager and above	0. 63	65. 72	17. 60	11. 48	2. 84	1. 98	0. 38
2016 Australia Census (ancestry)	0. 59	69	12	14	4	1	1

Indigenous workforce	**%**	**30 Jun 19**	30 Jun 18	30 Jun 17	2016 Australia Census (Question 7 on Aboriginal or Torres Strait Islander)
CBA Indigenous workforce (ancestry)		**0. 88**	1. 00	0. 80	2. 80

Other diversity dimensions	**%**	**30 Jun 19**	30 Jun 18
Employees who identify as having a disability		**10. 5**	11. 9
Employees who identify as LGBTI		**3. 4**	3. 4

Flexibility	**%**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Employees working flexibly		**73. 9**	73. 7	69. 4	43. 4	44. 5
Employees working part-time or job-sharing		**19. 5**	19. 7	19. 4	19. 8	20. 1
Employees with caring responsibilities		**50. 7**	53. 0			

Employees who have accessed parental leave (1)	**#**	**30 Jun 19**
Female employees		**1,479**
Male employees		**917**

Human Capital Development	**#**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Number of graduates		**183**	188	149	119	114

(1) Reported for the first time in 2019.

Social metrics (continued)

				30 Jun 19			30 Jun 18
Training hours	**#**	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Executive Managers and above		**40,795**	**61,054**	**101,849**	70,019	69,373	139,392
Others		**795,978**	**577,415**	**1,373,393**	983,633	724,364	1,707,997
Total		**836,773**	**638,469**	**1,475,242**	1,053,652	793,737	1,847,389

Training hours per employee	**Hours**	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Executive Managers and above		**31. 6**	**29. 7**	**30. 4**	57. 5	34. 6	43. 3
Others		**27. 2**	**22. 3**	**24. 9**	35. 0	31. 6	33. 5
Total		**27. 4**	**22. 8**	**25. 2**	35. 9	31. 8	34. 0

		30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
ESG Training	**#**	**1,055**	3,577	2,768	1,786

Safety and wellbeing		**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Lost Time Injury Frequency Rate (LTIFR)	**Rate**	**1. 4**	1. 4 (2)	1. 6 (2)	1. 6 (2)	2. 0
Absenteeism	**Days**	**7. 2**	6. 0	5. 9	6. 0	6. 0
Health, safety and wellbeing training (1)	#	**31,733**				

Community Investment	**$M**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Total community investment		**280.8**	290. 1	266. 0	262. 6	243. 4
Cash contributions		**41. 6**	55. 5	37. 2	37. 8	31. 3
Time volunteering		**1. 1**	1. 1	1. 2	1. 4	1. 8
Foregone revenue		**223. 9**	220. 3	215. 9	211. 8	203. 5
Program implementation costs		**14. 2**	13. 2	11. 7	11. 6	6. 8
Community investment as a percentage of pre-tax profit	%	**2. 4**	2. 2	2. 0	2. 0	1. 9

Financial literacy programs	**#**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
School banking students (active)		**244,636**	299,074	321,389	325,797	305,844
Start Smart students (booked) (3)		**427,527**	568,649	574,246	557,475	298,505

Indigenous community support		**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16
Indigenous Customer Assistance Line (calls received)	**#**	**202,444**	180,225	168,218	170,789
Australian Indigenous supplier spend (4)	**$'000**	**2,959**	2,226	1,460	1,080

(1) Reported for the first time in 2019.
(2) Prior year data has been restated due to claims received after year-end reporting date as well as expanded scope to include New Zealand employees.
(3) The Start Smart Pathways program for Vocational students ceased in FY19.
(4) FY19 includes first tier (direct) spend only. Previous years include first and second tier (indirect) spend. Results are not comparable over time.

Governance metrics

Board diversity	**#**	**30 Jun 19**	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
Male		**5**	6	6	8	8
Female		**5**	4	4	4	3
Total		**10**	10	10	12	11
Female Directors on Board	**%**	**50**	40	40	33	27

	%	**30 Jun 19**	30 Jun 18	30 Jun 17
Training completion rates on our Code of Conduct		**96. 7**	99. 4	97. 6
Training completion rates on mandatory learning		**93. 6**	94. 4	96. 9

Conduct and whistleblowing	**#**	**30 Jun 19**	30 Jun 18	30 Jun 17
Substantiated misconduct cases		**1,869**	1,259	1,022
Misconduct cases resulting in termination (1)		**187**		
SpeakUP Program cases		**311**	143	171
Whistleblower cases		**30**	33	44

(1) Reported for the first time in 2019.

Independent Limited Assurance Report

To the Board of Directors of the Commonwealth Bank of Australia

What we found

Based on the work described below, nothing has come to our attention that causes us to believe that the Non-Financial Performance Metrics (Environmental, Customer, Social and Governance metrics), excluding the low carbon transition metrics (the Metrics), for the year ended 30 June 2019 have not been prepared, in all material respects, in accordance with the definitions established by management.

What we did

The Commonwealth Bank of Australia and its controlled entities (together, the Group) engaged us to perform a limited assurance engagement on the preparation of the Metrics for the year ended 30 June 2019.

Subject matter

The Metrics for the year ended 30 June 2019 are as presented in the Non-Financial Performance Metrics on pages 297 to 304 of the Commonwealth Bank of Australia 2019 Annual Report (the 2019 Annual Report).

Reporting criteria

The definitions for the Metrics are established by management and are as presented on pages 310 to 315 of the 2019 Annual Report.

Our Independence and Quality Control

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

The firm applies 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, and accordingly 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.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Limited assurance

This engagement is aimed at obtaining limited assurance for our conclusions. As a limited assurance engagement is restricted primarily to enquiries and analytical procedures and the work is substantially less detailed than that undertaken for a reasonable assurance engagement, the level of assurance is lower than would be obtained in a reasonable assurance engagement.

Professional standards require us to use negative wording in the conclusion of a limited assurance report.

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Responsibilities

PwC

Our responsibility is to express a conclusion based on the work we performed.

Management of the Group

The management of the Group is responsible for the preparation and presentation of the Subject matter in accordance with the Reporting criteria.

Restriction on use

This report has been prepared for the purpose of providing limited assurance on preparation of the Metrics of the Commonwealth Bank of Australia and may not be suitable for any other purpose.

Our report is intended solely for the use and benefit of the Directors of Commonwealth Bank of Australia for the purpose described above, and we disclaim all liability and responsibility for the consequences of any other party using or relying on it. If any other party chooses to use or rely on it, they do so at their own risk.

What our work involved

We conducted our work in accordance with the Australian Standard on Assurance Engagements (ASAE) 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This Standard requires that we comply with independence and ethical requirements and plan the engagement so that it will be performed effectively.

Main procedures performed

The procedures performed included:

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
7 August 2019

Glossary of terms

Financial and remuneration related definitions

Term	Description
Assets Under Management	Assets Under Management (AUM) represents the market value of assets for which the Group acts as appointed manager. Growth and volatility in this balance is a key performance indicator for the Wealth Management business.
Board	The Board of Directors of the Group.
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.
Corporations Act	Corporations Act 2001 (Cth)
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, sign-on and retention 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.
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, sign-on and retention 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.
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.
Expense to income ratio	Represents operating expenses as a percentage of total operating income. The ratio is a key efficiency measure.
Executives	Collective term referring to the individuals in the following Executive groups: CEO, Group Executives, CEO ASB and Other Executives
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. Growth and volatility in this balance is a key performance indicator for the Wealth Management business and New Zealand businesses.
Group	Commonwealth Bank of Australia and its subsidiaries.
Group Executive (GE)	Key Management Personnel who are also members of the Executive Leadership Team (excludes the CEO).
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 secondly as the anticipated change to the Net Interest Income earned over 12 months. This calculation is driven by APRA regulations with further detail outlined in the 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 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. The Group’s LTVR plan for Executives is the GLRP and EEP from the 2019 financial year.

Term	Description
Net profit after tax ("cash basis")	Represents net profit after tax and non-controlling interests before non- cash items including hedging and IFRS volatility. Bankwest non-cash items, treasury shares valuation adjustment, and losses or gains on acquisitions, disposal, closure and demerger of businesses. This is Management's preferred measure of the 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 Consumer	DBM Consumer MFI Net Promoter Score. Australian Population 14+ (from Aug 16; 18+ for data prior). Refers to customers' likelihood to recommend their MFI using a scale from 0-10 (where 0 being 'Not at all likely' and 10 being 'Extremely likely') and is calculated by subtracting the percentage of Total Detractors (0-6) from the percentage of Promoters (9-10). Note that percentage signs are not used to report NPS. 6 month rolling average. CBA excludes Bankwest, Westpac exclude St George.
Net Promoter Score Business	DBM Business Net Promoter Score measures the net likelihood of recommendation to others of the customer's main financial institution. Net Promoter Score is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. Using a scale of 0 to 10 (0 means 'extremely unlikely' and 10 means 'extremely likely'), the 0-6 raters (detractors) are deducted from the 9-10 raters (promoters). A 6-month rolling data is used.
Net Promoter Score Mobile App	Net Promoter Score – Mobile App (via mobile app on a mobile phone or tablet): Roy Morgan Research. Australian population 14+ who used the internet banking services of their (self-nominated) main financial institution in the last 4 weeks, rolling average of the last 6 months of spot scores, as at June 2019. Rank based on comparison to ANZ, NAB and Westpac.
Net Promoter Score Internet Banking	Net Promoter Score –Internet Banking (via the website or mobile app): Roy Morgan Research. Australian population 14+ who used the internet banking services of their (self-nominated) main financial institution in the last 4 weeks, rolling average of the last 6 months of spot scores as at June 2019. Rank based on comparison to ANZ, NAB and Westpac.
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).
Non-Executive Director	Key Management Personnel who are not Executives.
Other Overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
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.
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 the GLRP or EEP and subject to performance hurdles.
Short-Term Variable Remuneration (STVR)	Variable remuneration paid subject to the achievement of predetermined performance hurdles over one financial year.
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.
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.

Glossary of terms (continued)
Our business definitions

Statement	Source
#1 mobile banking app in Australia	The Forrester Banking WaveTM: Australian Mobile Apps, Q2 2019. Commonwealth Bank of Australia received the highest industry WaveTM overall score among mobile apps in Australia in the Forrester's proprietary Industry WaveTM evaluation. Forrester Research does not endorse any company included in any Industry WaveTM 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.
#1 rated for online and mobile banking	Online banking: CBA won Canstar's Bank of the Year – Online Banking award for 2019 (for the 10th year in a row). Awarded June 2019. Mobile banking: CBA won Canstar's Bank of the Year – Mobile Banking award for 2019 (for the 4th year in a row). Awarded June 2019.
Gender diverse leadership – 50% of Board Directors are female	Refer to Board renewal and composition on page 68.
Largest branch network in Australia	APRA authorised deposit-taking institutions' points of presence publication (Branch) as at 30 June 2018 and reported 23 October 2018.
Leading market share in home lending, household deposits and credit cards	Home lending: Reserve Bank of Australia, Lending and Credit Aggregates, APRA Monthly Banking Statistics. CBA includes BWA and subsidiaries. Household deposits and credit cards: APRA Monthly Banking Statistics June 2019. CBA includes BWA.
Leading payments provider with largest merchant base	APRA authorised deposit-taking institutions' points of presence publication (EFTPOS) as at 30 June 2018 and reported 23 October 2018.
Listed on DJSI Asia Pacific	Refer to page 37.
Main financial institution for 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 includes ANZ Group, NAB Group and Westpac Group (including St George Group). CBA Group includes Bankwest. Source: Roy Morgan's Single Source survey conducted by Roy Morgan, Australian population 14+ (12 month average to June 2019).
New lending for Australian businesses	Includes Commercial Lending, Asset Finance and Institutional Lending (excluding other interest earning lending assets, primarily Cash Management Pooling Facilities, Leasing, Trade Finance, and Debt Markets).
The highest share of new migrant segments	MFI Share measures the proportion of Banking and Finance MFI Customers who were not born in Australia and have been in Australia for less than 6 years 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 includes ANZ Group, NAB Group and Westpac Group (including St George Group). CBA Group includes Bankwest. Source: Roy Morgan's Single Source survey conducted by Roy Morgan, Australian population 14+ (12 month average to June 2019).
The highest share of youth segments	MFI Share measures the proportion of Banking and Finance MFI Customers aged 14-24 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 includes ANZ Group, NAB Group and Westpac Group (including St George Group). CBA Group includes Bankwest. Source: Roy Morgan's Single Source survey conducted by Roy Morgan, Australian population 14+ (12 month average to June 2019).
Workforce is more culturally diverse than the Australian population	Refer to environmental, customer, social and governance metrics on pages on 297 to 304.

Glossary of terms (continued)
Environmental, customer, social and governance metrics definitions

Metric	**Description**
Absenteeism	Absenteeism refers to the average number of sick leave days (and, for CommSec employees, carers leave days) per Australia-based full-time equivalent (FTE). Bankwest is included from FY19.
Age diversity	Percentage of permanent employees (full-time, part-time, job share or on extended leave) and those contractors paid directly by the Group (including AHL), by their age group as at 30 June of the reporting year. The population excludes the employees of ASB.
ASB – Business and Rural Banking Customer Satisfaction	The proportion of each financial institution's main bank business and rural customers surveyed by Kantar TNS that rated their main bank overall as 'Excellent' or 'Very good' (defined as the main provider of financial services by the business/rural customer) on a scale of 1 to 6 where 1 is 'Excellent' and 6 is 'Very poor'. There are also 'Don't know' and 'Refused' options. The metric is reported as a four quarter rolling average to 30 June, based on the New Zealand business and rural population. The ranking refers to ASB's position relative to the other main four New Zealand banks.
ASB – Retail Banking Customer Satisfaction	The proportion of each financial institution's main bank retail customers surveyed by Camorra Research Retail Market Monitor that rated their overall level of service as 'Excellent' or 'Very good' (defined as the main provider of financial services by the customer) on a scale of 1 to 5 where 1 is 'Poor' and 5 is 'Excellent'. There is also a 'Don't know' option. The metric is reported as a 12 month rolling average to June, based on the New Zealand population aged 15 to 79. The ranking refers to ASB's position relative to the other four main New Zealand banks.
Australian Indigenous supplier spend	The Group's total supplier diversity spend with Indigenous businesses in Australia. FY19 includes first tier spend are any payments made by CBA to an Indigenous business registered or certified by Supply Nation, and one Indigenous business which is currently in the application process to register with Supply Nation. It also includes grant payments made to Indigenous businesses registered or certified by Supply Nation, starting from FY19. FY18 and previous years include second tier (indirect) spend refers to payments made by one of the suppliers who has spent with Indigenous business registered or certified by Supply Nation for services and products directly related to the delivery of CBA awarded contracts.
Cash contributions	Total donations contributed by the Group through charitable gifts, community partnerships and matched giving. Matched giving excludes staff contributions.
Commercial Operations Water	Water consumption (kilolitres) includes tenanted usage from CBA, Bankwest and AHL's commercial buildings in Australia. As at 30 June 2019, 51% of water usage is based on invoiced amounts, the remainder is estimated based on an average usage per m2 of net lettable area (NLA). For all waste and water related metrics, we have reported on all commercial buildings from FY18 onwards (for context, CBA occupies 50 commercial buildings as at 30 June 2019). FY17 and FY16 we reported for nine commercial buildings and FY15 for eight buildings.
Community investments as a percentage of pre-tax profit	Total community investments as a percentage of the Group's statutory pre-tax profit as at 30 June.
Cultural diversity index	Cultural Diversity Index (CDI) is 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. The index is calculated using anonymous, self-disclosed demographic information by employees from the Group's annual people and culture survey and benchmarked against the ancestry question in the Australian 2016 Census. The result captures the responses of CBA employees only, excluding Bankwest, CFSGAM, ASB and PTBC.
Customer Complaints – Resolved	The number of complaints resolved as at 30 June for the Group as recorded in the FirstPoint feedback system excluding Bankwest and ASB, as defined by the Australian Securities and Investments Commission Regulatory Guide 165. This includes complaints which have taken more than five business days to resolve to the customer's complete satisfaction and any complaints relating to hardship, a declined insurance claim, or the value of an insurance claim.
Customer Complaints - Number escalated to an external dispute resolution (EDR) scheme	Number of complaints escalated to an EDR scheme for the Group, excluding Bankwest and ASB. This includes complaints that have been through the Bank's internal dispute resolution process and have escalated to an EDR scheme, or have been raised directly with the EDR scheme. These complaints are recorded in Firstpoint and are managed by Group Customer Relations. EDR schemes include, but are not limited to, the Australian Financial Complaints Authority (AFCA), the Financial Ombudsman Service (FOS) and the Office of the Australian Information Commissioner (OAIC).
Customer Complaints – Privacy Complaints	Number of privacy related complaints escalated to the OAIC for the Group, excluding Bankwest and ASB. 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 Firstpoint and are managed by Group Customer Relations.
Data Centres Water	CBA uses four data centres in Australia. CBA only has access to actual water consumption from invoices for two data centres and the other two data centres have been excluded. All data centres are not under operational control.

Metric	Description
Employee engagement index – CBA	The index shows the proportion of employees replying with a score of 4 or 5 to four engagement questions in the Group's annual People and Culture Survey. These questions relate to satisfaction, retention, advocacy and pride on a scale of 1-5 (where 1 is 'Strongly Disagree' and 5 is 'Strongly Agree'). The result captures the responses of CBA employees only, excluding Bankwest, CFSGAM and ASB.
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), including AHL and excluding ASB. Involuntary exits include redundancies and terminations for disciplinary reasons.
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), including AHL and excluding ASB. Voluntary exits are determined to be resignations and retirements.
Employees who identify as having a disability	The proportion of CBA employees that have selected one, or more than one, of the disability conditions in the last 12 months, based on the survey responses in the Group's annual people and culture survey. Based on the surveyed population for the 'Employee Engagement Index – CBA' metric, excluding PTBC, who answered this question.
Employees who identify as LGBTI	The proportion of CBA employees that identify as LGBTI in the last 12 months by nominating one, or more than one, of the LGBTI options in the Group's annual people and culture survey. The result captures the responses of CBA employees only, excluding Bankwest, CFSGAM, ASB, Indonesia, Vietnam and China.
Employees with caring responsibilities	The proportion of CBA employees that have selected any of the caring responsibility options in the last 12 months, based on the survey responses in the Group's annual people and culture survey. The result captures the responses of CBA employees only, excluding Bankwest, CFSGAM, ASB and China.
Employees working flexibly	The proportion of CBA employees that indicated that they used flexible work options in the last 12 months by nominating one, or more than one, of the flexible work options in the Group's annual people and culture survey. Note this survey question was updated in the 2017 financial year. The result captures the responses of CBA employees only, excluding Bankwest, CFSGAM, ASB, Indonesia, Vietnam and China.
Employees who have accessed parental leave	Number of employees who have started primary or secondary carer parental leave during the reporting period and recorded in the CBA's HR system. This metric excludes employees of ASB.
Employees working part-time or job-sharing	The number of employees at 30 June who are employed on a part-time or job share basis, as a percentage of permanent employees (full-time, part-time, job share or on extended leave).
Employment types	The number of Australian employees (including AHL) who are permanent employees (full-time, part time, job share or on extended leave), and those contractors paid directly by the Group.
Energy consumption – total	Total energy use by CBA's Australian Operations is made up of: 1) electricity, natural gas and stationary fuel used in retail and commercial operations under CBA's operational control; and 2) Data centre electricity consumption from data centres outside CBA's operational control.
Environmental, Social and Governance (ESG) Training	Number of employees who have completed ESG learning modules recorded in CBA's learning management system 'PeopleLink' as at 30 June, measured by headcount. The ESG learning modules are ESG Risk Fundamentals, ESG Risk Tool and Responsible Investing and Equator Principles III eLearning. This metric excludes the training completion rates of the employees of Bankwest and ASB.
Female Directors on Board	Represents the percentage of female Directors in relation to the total Commonwealth Bank of Australia Board as at 30 June.
Foregone revenue	Foregone revenue consists of the aggregate value of fee-free or discounted CBA customers' banking accounts (relating to Monthly Account Fee and Transaction Fees only, not including discounts in interest rates) for customers who have been assessed as low income earners, underprivileged or not-for-profit organisations.
Full-time equivalent employees (FTE)	This metric represents the full-time equivalent (FTE) employees of the Group (including AHL) by geographical work locations. New Zealand FTE includes ASB employees. FTE captures 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.
Gender pay equity – female to male base salary comparison	Gender pay equity is defined as the pay gap between the weighted average base salary of males and females for Australian-based employees of the Group, excluding Bankwest. The data reflects roles in similar functions, role size and responsibilities. The data refers to permanent full-time and part-time employees, and excludes the CEO, Board members, contractors, casual employees and employees who have not defined a gender, as at 31 March 2019.
Greenhouse Gas Emissions per FTE – Scope (1 & 2) (Group)	Greenhouse Gas Emissions relate to Scope 1 and 2 Greenhouse Gas Emissions for the Group as detailed above. FTE relates to the Group's full-time equivalent employees.
Greenhouse Gas Emissions per FTE (Scope 1 & 2) (Australia)	Greenhouse Gas Emissions relate to Scope 1 and 2 Greenhouse Gas Emissions for Australia. FTE relates to domestic full-time equivalent employees in Australia.
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.

Metric	**Description**
Health, Safety and Wellbeing Training	Number of employees who completed the Health, Safety and Wellbeing training, as recorded in CBA's learning management system 'PeopleLink' as at 30 June, measured by headcount. This metric excludes the training completion rates of the employees of Bankwest and ASB.
Indigenous Customer Assistance Line (calls received)	Number of calls received via the dedicated Indigenous Customer Assistance Line (ICAL) of CBA during the period from 1 July to 30 June. The metric does not take into account calls that were abandoned by customers. This assistance line is dedicated to assisting the Australian Indigenous community.
Indigenous workforce	Represents the proportion of employees that nominate that they most strongly identify with Australian Aboriginal and/or Torres Strait Islander ancestry in the Group's annual people and culture survey. The surveyed population is the same as the 'Employee Engagement Index – CBA' metric, excluding PTBC. Aboriginal and Torres Strait Islander representation in the population of Australia is based on the 2016 Australia Census.
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. Data is presented using the information available as at 30 June for each financial year. New Zealand employees included from FY18 and AHL's employees are excluded from FY19.
Misconduct breaches resulting in termination	Represents closed substantiated misconduct cases which resulted in termination and were managed in Australia by the Workplace Relations team and Group Investigations team. The metric excludes incidents reported by local associates and joint ventures. There are various internal policies within the Group that govern staff conduct obligations, such as the 'Code of Conduct' which is the guiding framework at CBA.
Net Promoter Score (NPS) – Bankwest – Business Banking	This metric measures the likelihood of Australian Bankwest business customers rating their likelihood to recommend Bankwest to others on a scale of 0-10 (where 0 is "Extremely unlikely" and 10 is "Extremely likely"). NPS is calculated by subtracting the percentage of Detractors (scores 0-6) from the percentage of Promoters (scores 9-10). The metric is measured by DBM Consultants as part of their Business Financial Services Monitor and is reported as a 6 month rolling average as at 30 June. Businesses with lending under $500,000 nationally or lending over $500,000 in West Australia are included in the metric. ®Net Promoter Score (NPS) is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.
Net Promoter Score (NPS) – Bankwest – Retail Banking	This metric measures the likelihood of retail Bankwest customers to recommend Bankwest to others on a scale of 0-10 (where 0 is "Not at all likely" and 10 is "Extremely likely"). NPS is calculated by subtracting the percentage of Detractors (scores 0-6) from the percentage of Promoters (scores 9-10). The metric is based on two of Bankwest's Priority Segments - Home Owner and Property Investors (HOPI) and those intending to purchase property within the next 12 months (Pre-HOPI). NPS is measured by DBM Consultants in their Consumer Atlas Syndicated Tracker and is reported as a 6 month rolling average. ®Net Promoter Score (NPS) is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.
Net Promoter Score (NPS) – CBA – Business	DBM Business MFI *Net Promoter Score: Based on 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 (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 six-month rolling average. For the major banks, NPS is reported for main brand only. ®Net Promoter Score is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. DBM Consultants via its Product Business Financial Service Monitor interview approximately 19,000 businesses annually, covering Whole of Market for business, including all geographies within Australia of any amount of turnover.
Net Promoter Score (NPS) – CBA – Online	This metric measures the likelihood of an individual to recommend a financial institution they have dealings with based on their experience using Internet Banking services via Website or Mobile App at the institution. NPS is measured on a scale of 1 to 10, with 1 being 'very unlikely' to recommend and 10 being 'very likely' to recommend and is calculated by subtracting the percentage of 'Detractors' (score 1-6) from the percentage of 'Promoters' (score 9-10). ®Net Promoter Score (NPS) is a trademark of Bain and Company, Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. NPS scores are filtered to Main Financial Institution (MFI) retail customers as identified in the Roy Morgan Single Source survey. Peers include ANZ, NAB and Westpac at a brand level.
Net Promoter Score (NPS) – CBA – Retail	DBM Consumer MFI *Net Promoter Score. Based on Australian population aged 14+ years old rating their Main Financial Institution (MFI). Net Promoter Score refers to customer likelihood to recommend their MFI 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. *Net Promoter Score is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. This metric was previously surveyed by Roy Morgan (June 2018). The ranking refers to CBA's position relative to the other main banks (ANZ,NAB and Westpac). For the major banks, NPS is reported for main brand only.
Number of graduates	The number of graduates who accepted and commenced in a graduate position with CBA or Bankwest under the Talent Acquisition program during the year ended 30 June.
Office paper	Tonnes of office paper (A3 and A4 paper) used in CBA commercial operations and retail branches under CBA's operational control. Based on invoiced numbers of reams of paper used and calculations to estimate usage as a weight. Excludes operations outside Australia.

Metric	Description
Program implementation costs	Total costs incurred by the Group to implement community investment programs, operating costs of managing the Indigenous Customer Assistance Line call centre, operating costs of managing the Group Corporate Affairs team and Women in Focus as well as other not-for-profit activities and school programs. These costs include salary and wages, occupancy, IT and other administration costs.
PT Bank Commonwealth – Banking Service Excellence Performance	The metric represents the results of the Bank Service Excellence Monitor (BSEM) survey conducted by Marketing Research Indonesia (MRI) independently every year using mystery shopping methodology. In 2019, BSEM measured service excellence performance of the top 19 banks in Indonesia (including private-owned banks, government banks and foreign banks).
School banking students (active)	The number of active students who participated in the CBA School Banking program from the period 1 July to 30 June. Active students are those who banked at least once during the last 12 month period through the School Banking Portal under the School Banking program.
Scope 1 Greenhouse Gas Emissions (Australia)	Scope 1 Greenhouse Gas Emissions (Australia) relate to the consumption of natural gas and stationary fuel used in retail, commercial and data centre properties under our operational control as defined under National Greenhouse and Energy Reporting (NGER). It also includes the business use of our tool-of-trade vehicle fleet. Source of emissions factors: National Greenhouse Accounts (NGA) Factors (2018).
Scope 1 Greenhouse Gas Emissions (Group)	Comprises the sum of Scope 1 Greenhouse Gas Emissions for Australia, New Zealand and other overseas locations.
Scope 1 Greenhouse Gas Emissions (New Zealand)	Scope 1 Greenhouse Gas Emissions (New Zealand) relate to the consumption of natural gas and stationary fuel used in commercial properties. It also includes the business use of our tool-of-trade vehicle fleet. Source of emissions factors - Measuring Emissions: A Guide for Organisations (2019).
Scope 1 Greenhouse Gas Emissions (Other overseas)	Scope 1 Greenhouse Gas Emissions (Other overseas) is an estimate of multiplying the Scope 1 Emissions per FTE as at 30 June 2019 in Australia by the number of FTEs of all the Group’s other overseas offices.
Scope 1 Stationary Greenhouse Gas Emissions (Australia operations)	Scope 1 Stationary Greenhouse Gas Emissions (Australia) relate to the consumption of diesel and natural gas used in retail, commercial and data centre properties in Australia under our operational control as defined under NGER. Source of emissions factors: NGA (2018).
Scope 1 Transport Greenhouse Gas Emissions (Australia operations)	Scope 1 Transport Greenhouse Gas Emissions (Australia) relate to the consumption of diesel, ethanol E10 and petrol from our business use of our domestic tool-of-trade vehicle fleet in Australia. Source of emissions factors: NGA (2018).
Scope 2 Greenhouse Gas Emissions (Australia)	Scope 2 Greenhouse Gas Emissions (Australia) relate to the electricity used by ATMs, retail, commercial, residential and data centre properties under our operational control as defined under NGER. FY19 data now includes data centres considered under operational control. Source of emissions factors: NGA Factors (2018).
Scope 2 Greenhouse Gas Emissions (Group)	Comprises the sum of Scope 2 Greenhouse Gas Emissions for Australia, New Zealand and other overseas locations.
Scope 2 Greenhouse Gas Emissions (New Zealand)	Scope 2 Greenhouse Gas Emissions (New Zealand) relate to the electricity use by ATMs and retail and commercial properties. Source of emissions factors - Measuring Emissions: A Guide for Organisations (2019).
Scope 2 Greenhouse Gas Emissions (Other overseas)	Scope 2 Greenhouse Gas Emissions (Other overseas) is an estimate of multiplying the Scope 2 Emissions per FTE as at 30 June 2019 in Australia by the number of FTEs of all the Group’s other overseas offices. The 2018 approach differs from prior year data, which included invoiced electricity consumption data for Asia locations.
Scope 2 Purchased Electricity Greenhouse Gas Emissions (Australia operations)	Scope 2 Purchased Electricity Greenhouse Gas Emissions (Australia) relate to the electricity used by ATMs, retail, commercial, residential and data centre properties under our operational control in Australia as defined under NGER. Source of emissions factors: NGA (2018).
Scope 3 Base Building Greenhouse Gas Emissions (Australia operations)	Scope 3 Base Building Greenhouse Gas Emissions (Australia operations) relate to emissions generated from CBA's proportion (by net lettable area) of base building electricity and natural gas usage for our Australian Commercial offices. Source of emissions factors: NGA (2018).
Scope 3 Data Centres Greenhouse Gas Emissions (Australia operations)	Scope 3 Data Centres Greenhouse Gas Emissions (Australia operations) relate to the electricity and diesel consumption in our Australian data centres not under our operational control as defined under NGER. CBA has not had operational control of any data centres since FY18. Source of emissions factors: NGA (2018).
Scope 3 Greenhouse Gas Emissions (Australia)	Scope 3 Greenhouse Gas Emissions (Australia) relate to indirect emissions associated with Scope 1 and Scope 2 emission sources, rental car and taxi use, business use of private vehicles, dedicated bus services, business flights, waste to landfill, emissions associated with electricity and diesel consumption at data centres not under CBA’s operational control, and base building emissions. Source of emissions factors: NGA Factors (2018) and UK Department of Environment, Food and Rural Affairs (DEFRA) guidance (2017) for flights.
Scope 3 Greenhouse Gas Emissions (Group)	Comprises the sum of Scope 3 Greenhouse Gas Emissions for Australia, New Zealand and other overseas locations.
Scope 3 Greenhouse Gas Emissions (New Zealand)	Scope 3 Greenhouse Gas Emissions (New Zealand) relate to indirect emissions associated with Scope 1 and Scope 2 emission sources, waste to landfill, business air travel, taxi use and hire cars, fuel consumed by operating lease fleet vehicles and personal vehicles used by staff for business purposes, postal and courier services and paper. Source of emissions factors - Measuring Emissions: A Guide for Organisations (2019) and DEFRA (2017).

Metric	Description
Scope 3 Greenhouse Gas Emissions (Other overseas)	Scope 3 Greenhouse Gas Emissions (Other overseas) is an estimate of multiplying the Scope 3 Emissions per FTE in Australia by the number of FTEs as at 30 June 2019 of all the Group's other overseas offices.
Scope 3 Purchased Electricity Greenhouse Gas Emissions (Australia operations)	Scope 3 Purchased Electricity Greenhouse Gas Emissions (Australia operations) relate to indirect emissions associated with the electricity used by ATMs, retail, commercial and residential properties under our operational control in Australia. Source of emissions factors: NGA (2018).
Scope 3 Office Paper Greenhouse Gas Emissions (Australia operations)	Scope 3 Office Paper Greenhouse Gas Emissions (Australia operations) relate to emissions generated from our office paper used in our commercial operations and retail branches under our operational control in Australia. Source of emissions factors: DEFRA (2017).
Scope 3 Stationary Greenhouse Gas Emissions (Australia operations)	Scope 3 Stationary Greenhouse Gas Emissions (Australia) relate to indirect emissions associated with diesel and natural gas used in retail, commercial and data centre properties in Australia under our operational control as defined under NGER. Source of emissions factors: NGA (2018).
Scope 3 Transport Greenhouse Gas Emissions (Australia operations)	Scope 3 Transport Greenhouse Gas Emissions (Australia) relate to rental car and taxi use, business use of private vehicles, dedicated bus service, business flights, and indirect emissions from business use of our tool-of-trade vehicle fleet. Source of emissions factors: NGA (2018) and DEFRA (2017) for flights.
Scope 3 Waste to Landfill Greenhouse Gas Emissions (Australia operations)	Scope 3 Waste to Landfill Greenhouse Gas Emissions (Australia operations) relate to emissions generated from our waste to landfill from our commercial properties under our operational control in Australia. Refer to Total waste to landfill definition for more details. Source of emissions factors: NGA (2018).
SpeakUP Program cases	Number of SpeakUP cases recorded in the Group's SpeakUP Program records as at 30 June. The cases include disclosure types such as anonymous, confidential and whistleblower.
Start Smart students (booked)	The number of students booked to attend the CBA's Start Smart programs from the period 1 July to 30 June. Start Smart sessions cover different topics and the same student may be booked to attend a number of sessions.
Substantiated misconduct cases	Represents closed substantiated misconduct cases managed in Australia by the Workplace Relations team and Group Investigations team. The metric excludes incidents reported by local associates and joint ventures. There are various internal policies within the Group that govern staff conduct obligations, such as the 'Code of Conduct' which is the guiding framework at CBA.
Time volunteering	Total estimated cost of pro bono and volunteering hours contributed by CBA and Bankwest Australia-based employees through volunteering activities as captured in CBA'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.
Total community investments	Total voluntary investments contributed to communities in the form of cash contributions, time volunteering, foregone revenue and program implementation costs as defined under each metric below.
Total of Scope 1, 2 & 3 Greenhouse Gas Emissions (Australia)	Total of Scope 1, 2 and 3 Greenhouse Gas Emissions (Australia) are the sum of Scope 1, Scope 2 and Scope 3 emissions (Australia). This comprises CBA, Bankwest and Aussie Home Loans (AHL).
Total of Scope 1, 2 & 3 Greenhouse Gas Emissions (Group)	Total of Scope 1, 2 and 3 Greenhouse Gas Emissions (Group) is the sum of Scope 1 Greenhouse Gas Emissions (Group), Scope 2 Greenhouse Gas Emissions (Group) and Scope 3 Greenhouse Gas Emissions (Group).
Total of Scope 1, 2 & 3 Greenhouse Gas Emissions (New Zealand)	Total of Scope 1, 2 and 3 Greenhouse Gas Emissions (New Zealand) are the sum of Scope 1, Scope 2 and Scope 3 emissions (New Zealand). This comprises ASB.
Total of Scope 1, 2 & 3 Greenhouse Gas Emissions (Other overseas)	Total of Scope 1, 2 and 3 Greenhouse Gas Emissions (Other overseas) are the sum of Scope 1, Scope 2 and Scope 3 emissions (Other overseas). This comprises the Group's offices in Asia, Africa, Europe and North America.
Total Secured Waste	Tonnes of secured waste collected from CBA 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.
Total Waste	Total waste comprises the sum of waste to landfill, waste recycled and secured waste. For all waste metrics, we have reported on all commercial buildings from FY18 onwards (for context, CBA occupies 50 commercial buildings as at 30 June 2019). FY17 and FY16 we reported for nine commercial buildings and FY15 for eight buildings.
Total Waste Recycled	Tonnes of recycled waste generated per annum from CBA, Bankwest and AHL's commercial buildings under our operational control in Australia. 68% 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 2018, organic waste stream is diverted from waste to landfill to waste recycled for properties where data can be reported separately.

Metric	Description
Total waste to landfill	Tonnes of waste to landfill generated per annum from CBA, Bankwest and AHL's commercial buildings under our operational control in Australia. As at 30 June 2019, 58% 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 2018, organic waste stream is diverted from waste to landfill to waste recycled for properties where data can be reported separately.
Training completion rates on Code of Conduct'	Percentage of employees who have been assigned and completed the 'Code of Conduct' learning module recorded in CBA's learning management system 'PeopleLink' as at 30 June. This metric excludes the training completion rates of the employees of Bankwest and ASB. Previous year numbers are for completion of "Our Commitments" training.
Training completion rates on mandatory learning	Percentage of employees who have been assigned and completed the Group's mandatory learning modules recorded in CBA's learning management system 'PeopleLink' as at 30 June. This metric excludes the training completion rates of the employees of ASB. The Group's mandatory learning modules are Anti-Bribery and Corruption, Anti-Money Laundering and Counter-Terrorism Financing, Conflicts of Interest, Fraud, Security and Privacy, Resolving Customer Complaints, Workplace Conduct and Health and Safety.
Training hours	This represents the total completed training hours recorded in CBA's learning management system 'PeopleLink' as at 30 June. Training hours are allocated to each training item such as face-to-face or online 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 Bankwest and ASB.
Training hours per employee	This metric represents the average completed training hours per employee that is recorded in CBA's learning management system 'PeopleLink' as at 30 June, measured by headcount. This metric excludes the training completion rates of the employees of Bankwest and ASB.
Whistleblower cases	Number of whistleblower cases recorded in the Group's Speak UP Program records as at 30 June.
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. Headcount captures permanent headcount (full-time, part-time, job share, on extended leave), and contractors (fixed term arrangements) paid directly by the Group, including AHL and excluding ASB.
Women in Manager and above roles	The percentage of roles that are filled by women at the level of Manager and above (including Branch Managers), in relation to the total headcount at this level as at 30 June. Headcount captures permanent headcount (full-time, part-time, job share, on extended leave), and contractors (fixed term arrangements) paid directly by the Group, including AHL and excluding ASB.
Women in Senior Leadership (Group Executives)	The percentage of roles that are filled by women who are current executives as at 30 June. These roles are direct reports of the CEO with authority and responsibility for planning, directing and controlling CBA's activities. This excludes ASB. For the list of current executives, please refer to the 2019 Annual Report pages 74 to 75.
Women in workforce	The percentage of roles filled by women, in relation to the total headcount as at 30 June for the Group. Headcount captures permanent headcount (full-time, part-time, job share, on extended leave), and contractors (fixed term arrangements) paid directly by the Group, including AHL and excluding ASB.

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Corporate directory

132 221 General Enquiries

For your everyday banking including paying bills using BPAY® our automated service is available 24 hours a day, 7 days a week.

132 221 Lost, Stolen or Damaged Cards

To report a lost or stolen card 24 hours a day, 7 days a week.
From overseas call +61 2 9999 3283. Operator assistance is available 24 hours a day, 7 days a week.
® Registered to BPAY Pty Ltd ABN 69 079 137 518

132 224 Home Loans and Investment Home Loans

To apply for a new home loan or investment home loan or to maintain an existing loan. Available from 8am to 8pm, 7 days a week.

131 431 Personal Loan Sales

To apply for a new personal loan.
Available from 8am to 8pm, 7 days a week.

1800 805 605 Customer Relations

If you would like to pay us a compliment or are dissatisfied with any aspect of the service you have received.

Internet Banking

You can apply for a home loan, credit card, personal loan, term deposit or a savings account on the internet by visiting our website at www.commbank.com.au available 24 hours a day, 7 days a week.
Do your everyday banking on our internet banking service NetBank at www.commbank.com.au/netbank available 24 hours a day, 7 days a week.
To apply for access to NetBank, call 132 221.
Available 24 hours a day, 7 days a week.
Do your business banking on our Business Internet Banking Service CommBiz at www.commbank.com.au/CommBiz available 24 hours a day, 7 days a week.
To apply for access to CommBiz, call 132 339.
Available 24 hours a day, 7 days a week.

Special Telephony Services

Customers who are hearing or speech impaired can contact us via the National Relay Service (www.relayservice.com.au) available 24 hours a day, 7 days a week.
Telephone Typewriter (TTY) service users can be connected to any of our telephone numbers via 133 677.

Speak and Listen (speech-to-speech relay) users can also connect to any of our telephone numbers by calling 1300 555 727.

Internet relay users can be connected to our telephone numbers via National Relay Service.

131 519 CommSec (Commonwealth Securities)

For enquiries about CommSec products and services visit www.commsec.com.au.
Available from 8am to 7pm (Sydney Time), Monday to Friday, for share trading and stock market enquiries, and 8am to 7pm 7 days a week for CommSec Cash Management. A 24 hour lost and stolen card line is available 24 hours, 7 days a week.

131 709 CommSec Margin Lending

Enables you to expand your portfolio by borrowing against your existing shares and managed funds. To find out more simply call 131 709 8am to 6pm (Sydney Time) Monday to Friday or visit www.commsec.com.au.

1800 019 910 Corporate Financial Services

For a full range of financial solutions for medium-size and larger companies.
Available from 8am to 6pm (Sydney Time), Monday to Friday.

131 998 Local Business Banking

A dedicated team of Business Banking Specialists, supporting a network of branch business bankers, will help you with your financial needs.
Available 24 hours a day, 7 days a week or visit www.commbank.com.au/lbb.

1300 772 968 (1300 AGLINE) AgriLine

A dedicated team of Agribusiness Specialists will help you with your financial needs. With our Business Banking team living in regional and rural Australia, they understand the challenges you face. Available 24 hours a day, 7 days a week.

Colonial First State

Existing investors can call 131 336 from 8am to 7pm (Sydney Time) Monday to Friday.
New investors without a financial adviser can call 1300 360 645.
Financial advisers can call 131 836.
Alternatively, visit www.colonialfirststate.com.au.

1300 362 081 Commonwealth Private

Commonwealth Private offers clients with significant financial resources a comprehensive range of services, advice and opportunities to meet their specific needs. For a confidential discussion about how Commonwealth Private can help you, call 1300 362 081 between 8am to 5:30pm (Sydney time), Monday to Friday or visit www.commbank.com.au/commonwealthprivate.

132 015 Commonwealth Financial Services

For enquiries on retirement and superannuation products, or managed investments. Available from 8.30am to 6pm (Sydney Time), Monday to Friday.
Unit prices are available 24 hours a day, 7 days a week.

CommInsure

For all your general insurance needs call 132 423 8am to 8pm (Sydney Time), Monday to Friday and 8am to 5pm (Sydney Time) on Saturday.
For all your life insurance needs call 131 056 8am to 8pm (Sydney Time), Monday to Friday.
Alternatively, visit www.comminsure.com.au.

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Company Secretary

Kara Nicholls
Kristy Huxtable

Shareholder Information

www.commbank.com.au/shareholder

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Australian Securities Exchange Listing

CBA

Annual Report

To request a copy of the Annual Report, please call Link Market Services Limited on +61 1800 022 440 or by email at cba@linkmarketservices.com.au.
Electronic versions of Commonwealth Bank's past and current Annual Reports are available on www.commbank.com.au/investors.

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