

**Annual Review  
2018**

# **Becoming a simpler, better bank**



**Commonwealth**Bank

**We are building a simpler, more focused bank, fully aligned to meeting the needs of customers in our core markets, underpinned by stronger risk management and a continuing commitment to innovation and customer service.**

**We will advance our purpose to improve the financial wellbeing of our customers and communities.**

**In doing so, we will be guided by our values:**

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

## Inside this report

The Annual Review provides a summary of key information from our Annual Report. To view the complete Annual Report 2018 see [www.commbank.com.au/about-us/investors/annual-reports.html](http://www.commbank.com.au/about-us/investors/annual-reports.html)

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# 2018 highlights



## Customers

Customers served

**16.1 million**

Digital customers

**6.5 million**

Largest branch and ATM network  
in Australia

**1,267 branches** Group total

**4,253 ATMs** Group total

Mobile banking app Net Promoter Score

**37.8**

More than 10 points above closest major bank peer



## Community

Tax paid

**\$4.0 billion**

One of Australia's largest taxpayers

Community investment

**\$290 million**

21,900 volunteering and pro bono hours

CommBank Foundation

**1,240+ grants**

For youth, education and health organisations

Financial education

**568,000+ students**

Participating in Start Smart sessions



## Our people

### Number of employees

**49,125**

Employed in 15 countries, 40,508 in Australia

### Women in Manager roles and above

**44.6%**

Women in Executive Manager roles and above 37.6%

### Total hours of training

**1,847,000+**

Average hours of training per employee 34.1 hours

### Employees working flexibly

**73.7%**

20% work part-time or job share



## Shareholders

### Net profit after tax

**\$9,233 million** cash basis

**\$9,375 million** statutory basis

Continuing operations

### Dividend per share

**\$4.31**

Full year, fully franked, cash basis

### % of cash net profits returned to shareholders

**80.4%**

\$7.6bn in total, 79% of shareholders are Australian

### Amount received by the average retail shareholder in dividends

**\$3,853**

# Chairman's message



**“Your Board, management team and our people are committed to making CBA a better bank and to achieving our purpose of improving financial wellbeing for our customers and communities.”**

*C.B. Livingstone*

**Catherine Livingstone AO**  
Chairman

Dear Shareholders,

This has been a difficult year. Confidence in the Bank has been severely tested due to a series of conduct and compliance issues. As a result, trust in the Bank, and its reputation and standing, have been damaged.

The Board and I regret, without reservation, the Bank's failings over recent years, and apologise to all of our stakeholders for what has happened.

The Bank has, however, continued to deliver service and market-leading innovation for our customers, and has continued to contribute to our communities. Our businesses have performed well this year, and we have maintained our capital strength. This financial performance has supported a strong dividend for shareholders and 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, up 2 cents on last year. It has also been a year of renewal at the Bank, and we have taken action to set the Bank up for future success.

## **Regulatory and compliance issues**

We take full responsibility for the issues we have faced, and are committed to addressing our failures. An outline of the year's main regulatory, legal and industry reviews is provided on pages 10–11 of this report.

The Board and I would like to provide context for our approach to these issues and the rationale for the decisions we have made. In coming to a settlement with the Australian Transaction Reports and Analysis Centre (AUSTRAC), we agreed to pay a civil penalty of \$700 million. This is a very large sum of money, and understandably, a serious concern for shareholders. Factors that contributed to the size of the penalty included the Bank's financial size and the significant role the Bank plays in the Australian economy.

When considering how to resolve the issue in shareholders' best interests, the Board formed the view that mediation and settlement with AUSTRAC would deliver the best outcome overall. It enables us to focus on improving our risk and compliance capabilities, and to move forward and work constructively with AUSTRAC.

The Board also determined that it was in shareholders' best interests to reach an agreement with the Australian Securities and Investments Commission (ASIC) to settle the legal proceedings in relation to claims of manipulation of the Bank Bill Swap Rate. This brings to an end the uncertainty around bills trading, acknowledges our past mistakes and where we could have done better, and it allows us to focus on productive engagement with ASIC.

We are participating transparently and fully in the Royal Commission and we believe that through the process of scrutiny and reflection we will become a better bank, and that the Australian financial services sector will also be strengthened.

### APRA Prudential Inquiry into CBA

In August last year, the Australian Prudential Regulation Authority (APRA) announced that it was establishing an independent prudential inquiry into the Bank. The decision to initiate the inquiry was prompted by the succession of issues confronting the Bank, and concerns regarding its governance, culture and accountability frameworks and practices.

We welcomed the opportunity for independent parties to take a fresh view, and co-operated fully with the inquiry. We have since welcomed the final report, and the clear roadmap that it provides for us.

A key finding was that more rigorous Board and Executive level governance of non-financial risks, particularly operational and compliance risk, is required.

The report emphasises the importance of accountability, where everyone owns their actions, and where exacting standards for risk and customer outcomes are reinforced by remuneration practices.

The report is also clear on the need for cultural change. We need to be less complacent and reactive and instead be more reflective, open to challenge and customer focused.

Following the report, we have entered into an Enforceable Undertaking (EU) with APRA. Under the terms of the EU we have provided APRA with a Remedial Action Plan, which APRA has approved. The plan outlines the actions we are now taking to ensure that our governance, accountability and culture frameworks and practices are significantly improved and meet the high standards expected of us. We have also further improved our performance review and remuneration policies and practices to ensure greater accountability for risk and customer outcomes.

We have reported to APRA on the extent to which the findings of the report have been reflected in remuneration consequences for current and past executives. These outcomes are outlined in the **Remuneration report** in the Annual Report.

We understand the scale of change which is necessary, and its seriousness, in order for us to become a better, stronger bank for our customers, people, regulators and shareholders.

Your Board and management team are working to ensure this is achieved.

### The way forward

The selection of a new Chief Executive Officer was a key priority this year. The Board sought to appoint a candidate who would maintain momentum in the business while addressing the regulatory and reputational challenges and responding to evolving community expectations. We also sought a candidate who could transform the business to meet the rapidly evolving competitive and technology-centric environment.

In appointing Matt Comyn to the role of CEO, we are confident that he has the mix of attributes and values needed to lead the Bank. Matt has now appointed a very capable leadership team with deep skills and experience.

The Bank's purpose and strategy, outlined on pages 12–27, provides clear direction. It commits us to deliver for our stakeholders in a balanced and sustainable way. In emphasising trust and reputation, it recognises the importance of having the community's confidence and support.

Our decision to prioritise our core businesses and capabilities will allow us to become a more focused bank. The proposed demerger of the Group's wealth management and mortgage broking businesses will enable both companies to pursue growth and investment decisions appropriate to each business.



**Board renewal**

The program of Board renewal continued this year, with the objective of ensuring that the Board has the appropriate mix of skills, expertise and experience to address current and emerging opportunities and issues.

I would sincerely like to thank Andrew Mohl and Brian Long who will both be retiring at our Annual General Meeting on 7 November 2018. They are long-serving Directors and have contributed specialist expertise to the Board's deliberations.

In September 2017, Rob Whitfield was appointed an independent Non-Executive Director. He adds broad risk management and public sector experience, as well as extensive banking experience, to the Board's skills and expertise.

In March this year, Anne Templeman-Jones joined the Board. Anne is an experienced listed company Non-Executive Director and has a strong background in risk, corporate banking, insurance, advice and wealth management.

**Commitment to be a better bank**

While this has been a very difficult year for the Bank, we now have the impetus for change and a blueprint for strengthening the organisation.

Your Board, management team and our people are committed to making this a better bank and to achieving our purpose of improving financial wellbeing for our customers and communities.

Thank you for your support.

**Catherine Livingstone AO**  
Chairman



# CEO's message



**“The work we are doing to become a simpler, better bank will deliver balanced and sustainable outcomes for all our stakeholders, and importantly, drive long-term and sustainable outperformance for you, our shareholders.”**

**Matt Comyn**  
Chief Executive Officer

Dear Shareholders,

As you know, the Bank has faced significant challenges this year. This happened because at times we let our customers down, our operational risk and compliance capabilities simply weren't good enough, and we were too slow to fix our mistakes. I am sorry for these failings, and I am committed to doing what is necessary to put things right.

The required changes are now underway, and we are building on the Bank's strong foundations. More than 16 million customers choose to do business with us. We are the first choice for home loans, household deposits and digital banking. We have more branches in more places, we rank first for our technology, and we are financially strong.

Our financial results for the year reflect these strengths. Operating momentum was resilient, driven by our core banking businesses which delivered good volume margin management in home and business lending, ongoing growth in transaction accounts and deposits, and continued uptake of our market-leading digital banking services.

Operating expenses were impacted by a number of one-offs including the AUSTRAC civil penalty and regulatory and compliance costs. Excluding these items, expense growth was maintained at low levels due to productivity initiatives. This supported growth in overall earnings, excluding non-recurring items. Importantly, our balance sheet continued to strengthen across funding and liquidity metrics, and we remain one of the best capitalised banks in the world. This performance has supported an increased dividend for shareholders.

## Earning trust

While it has been important to focus on maintaining business momentum, I've also been determined to face up to issues and fix them so that we can earn the trust of our customers, regulators and the community, and restore your confidence and pride in your company.

To earn our customers' trust we have to deliver better outcomes. That's why my leadership team is prioritising listening to customer complaints and fast-tracking the resolution of longstanding issues. It's also the reason that we're focused on improving our customers' financial wellbeing through the products and services we provide. This includes investing in new CommBank app features that help customers save more, spend less and stay in control of their finances.

To understand our customers' level of trust in us, we are now measuring our Net Promoter Score (NPS). NPS subtracts our detractors from our promoters and is a good indicator of whether our customers would recommend us to their family and friends.

To earn the trust of our regulators we are committed to engaging in a way that is proactive, transparent and resolution-focused. A key step forward was settling the anti-money laundering proceedings with AUSTRAC. Importantly, we are investing in our financial crimes capabilities and have a comprehensive program in place. We are pleased to be working constructively with AUSTRAC to help protect the integrity of the Australian financial system.

We also reached an agreement with ASIC to settle the Bank Bill Swap Rate legal proceedings. We have given ASIC an enforceable undertaking under which an independent expert will confirm that the changes that we have made, and will be making, to our controls, policies, training and monitoring in connection with our BBSW business are sufficiently robust.

As the Chairman noted, the APRA Prudential Inquiry into CBA, and its final report, have been pivotal for us this year. While the report made for confronting reading for me and my team, we believe it is fair and balanced and that it provides a clear roadmap for the organisational change required. The Remedial Action Plan we've developed, and which has been endorsed by APRA, contains our commitments to fix the issues identified. Each of us is now accountable for making these improvements.

We are also committed to earning the community's trust. The Royal Commission is bringing to light mistakes we have made, the impact of those mistakes, and the changes required to meet community expectations. To measure our progress in earning the community's trust, we will track and disclose our reputation score relative to a group of the largest ASX-listed consumer-facing companies.

Most importantly, to ensure we don't make mistakes that undermine trust in the future, we are working hard to achieve better risk outcomes across the Bank. We are focused on strengthening our operational, compliance and conduct risk capabilities, and building a risk culture which emphasises that everyone is accountable for all the risks in their business. This is being reinforced through consequences for poor risk management, and rewards for identifying and managing risk well.

## Setting a clear direction

My second priority has been to set the Bank on the right course for future success.

Key to this has been articulating a simple purpose for the organisation. Our purpose is to improve the financial wellbeing of our customers and communities. It provides clear direction to our people and guides our strategy.

Our ability to deliver good customer outcomes depends on having an energised and accountable team. To help our people understand what we stand for, and to drive actions and behaviours, our values have been updated. The revised values are simple and action-oriented: we do what is right; we are accountable; we are dedicated to service; we pursue excellence; and we get things done.

I have renewed the Executive Leadership Team to drive change and lead our people through the transition. In appointing new executives, I focused on individuals' values, attributes and behaviours to ensure the right fit for each role, while creating a good balance of external experience and knowledge of the Bank. I am confident that your new management team has the skills and experience required to lead the Bank into the future.

**Becoming a simpler, better bank for our customers**

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

Our retail and commercial banking franchises will be at the heart of what we do. We aim to continue to lead in digital banking and to offer a range of options for customers to interact with us, including through our branches, business centres and Australia-based call centres.

For our retail customers, key priorities include maintaining our market-leading online banking offering, and providing the best proprietary home buying experience.

In our business bank, we will be focused on providing products that best fit our customers' needs, and on improving our service delivery by better integrating our relationship, product and analytics teams. In the institutional banking business, we will concentrate on market segments where we are well positioned, including payments and deposits, and will lend prudently.

The strategy of ASB Bank, our retail and business bank in New Zealand, will be closely aligned with our Australian businesses, but it will continue to operate on a stand-alone basis so that it can respond to local conditions.

Further digitisation of our processes and businesses is also key to simplification and to providing customers with the best digital experiences.

**Demerging our wealth management and mortgage broking businesses**

The proposed demerger of our wealth management and mortgage broking businesses is an important step towards simplification. It will result in the creation of a new, leading wealth management business (NewCo). It will include Colonial First State, Colonial First State Global Asset Management, Count Financial, Financial Wisdom, Aussie Home Loans, and our minority shareholdings in CountPlus and Mortgage Choice.

The demerger allows NewCo to pursue growth and investment decisions appropriate for its business, and enables shareholders to participate in this opportunity if they decide to hold NewCo shares. CBA shareholders will receive shares in NewCo proportional to their existing CBA holding. This will enable CBA shareholders, who already own these assets, to choose whether to continue owning them or not.

**Simplifying our portfolio**

We have announced the sales of our life insurance businesses – including Sovereign in New Zealand, CommInsure Life in Australia and BoComm Life in China. We have also announced the strategic review of PT Commonwealth Life in Indonesia. This is based on our view that we can best serve customers by partnering with specialist insurance providers who have the scale and capacity to invest in market-leading products and innovation. This is also why we are undertaking a strategic review of our general insurance business.

As part of our simplification agenda we are tightening our international focus. We have also decided to exit our TymeDigital business in South Africa.

**Strengthening key capabilities**

Looking to the year ahead, we will be working extremely hard to execute our strategy. We will be investing in operational risk and compliance to strengthen our processes, systems and governance. We will build our data and analytics capabilities to deliver productivity for our business and better insights for our customers. And we will be reshaping and reducing our cost base so that we can continue to invest in innovation to meet the challenges of disruption and to deliver great experiences for our customers.

My team and I share the conviction that the work we are doing to become a simpler, better bank will deliver balanced and sustainable outcomes for our stakeholders, and importantly, drive long-term and sustainable outperformance for you, our shareholders.

I look forward to updating you on our progress.

**Matt Comyn**  
Chief Executive Officer

# Regulatory, legal and industry review update

**We have been involved in a number of regulatory, legal and industry reviews this year. We have been committed to participating fully and openly, and to providing transparency on the processes and outcomes.**

## APRA Prudential Inquiry into CBA

On 28 August 2017, the Australian Prudential Regulation Authority (APRA) announced the establishment of an independent prudential inquiry into the Bank (Prudential Inquiry). APRA appointed three panel members, Dr John Laker AO, Professor Graeme Samuel AC and Jillian Broadbent AO, to undertake the inquiry.

On 1 May 2018, APRA released the final report of the Prudential Inquiry. It laid out shortcomings in governance, culture and accountability at the Bank. The final report is constructive and fair and we accept all of its 35 recommendations. We are committed to implementing all of the recommendations and have entered into an Enforceable Undertaking (EU) with APRA.

The final report's recommendations outline five key areas for improvement:

- Governance: more rigorous Board and Executive Committee level governance of non-financial risks.
- Accountability: exacting accountability standards reinforced by remuneration practices.
- Capability: a substantial upgrading of the authority and capability of the operational risk management and compliance functions.
- Customer: injection into CBA's DNA of the "should we?" question in relation to all dealings and decisions on customers.
- Culture: cultural change that moves the dial from reactive and complacent to empowered, challenging and striving for best practice in risk identification and remediation.

APRA also applied a capital adjustment to our minimum capital requirement by applying an add-on of \$1 billion to our operational risk capital requirement. We have undertaken only to apply for removal of all or part of the capital adjustment when we believe we can demonstrate compliance, to APRA's satisfaction, with the specific undertakings within the EU and the commitments set out in our Remedial Action Plan (Plan).

We submitted our Plan to APRA in June. It contains clear and measurable responses to each of the final report's recommendations, supported by a timeline and executive accountabilities. The Plan has been endorsed by APRA and is subject to a comprehensive assurance framework. The Promontory Financial Group will act as independent reviewer and will provide quarterly progress updates to APRA.

In addition, we have advised APRA how the findings of the Prudential Inquiry will impact remuneration outcomes for current and former executives. See the **Remuneration report** in the Annual Report.

Work to ensure delivery of the Plan is now underway, and is being managed under a dedicated Better Risk Outcomes Program (BROP).

A centralised BROP team, reporting directly to the CEO, will govern implementation of the Plan. Business unit and support unit leaders are accountable for execution of the Plan. Work is already underway, for example an Executive Leadership Team Non-financial Risk Committee, one of the recommendations, has been established and held its first meeting in June, and similar forums are being established in each business unit and support unit.

BROP will also govern major risk uplift programs, and build specific additional capabilities including system, data and reporting foundations, to support delivery of the Plan.

## AUSTRAC proceedings

On 4 June 2018, we announced that we had entered into an agreement with Australian Transaction Reports and Analysis Centre (AUSTRAC), the Australian Government's financial intelligence agency, to resolve the civil proceedings commenced by AUSTRAC in the Federal Court of Australia on 3 August 2017. AUSTRAC's claim alleged past and ongoing contraventions of four provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth). The agreement with AUSTRAC has been approved by the Federal Court.

As part of the agreement we have incurred a civil penalty of \$700 million, together with AUSTRAC's legal costs.

Banks have a critical role to play in combating financial crime and protecting the integrity of the financial system. In reaching this position, we have also agreed with AUSTRAC that we will work closely together in an open and constructive way.

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

anti-money laundering (AML) and counter-terrorism financing (CTF) compliance, including upgrading and enhancing our AML/CTF technology, updating our process documentation, investing in further resourcing, and strengthening training of our personnel.

We have acted to strengthen financial crime capabilities, and have invested significantly recognising the crucial role that we play, including through our Program of Action with coverage across all aspects of financial crime (including AML/CTF, sanctions and anti-bribery and corruption) and all business units. The Program of Action is uplifting the Bank's processes for monitoring, managing, reporting and controlling financial crime across all of our operations, including how we engage with and inform AUSTRAC and other regulators, and the operating model of the Bank which relates specifically to financial crime to ensure increased confidence in managing this area of risk.

We have changed senior leadership in the key roles overseeing financial crimes compliance supported by significant resources and clear accountabilities.

Two class actions have been filed alleging that we failed to disclose to the market, prior to 3 August 2017 when we became aware of the AUSTRAC proceeding, material information in relation to aspects of our AML/CTF controls. We reject the assertion that we had any price sensitive information in respect of our AML/CTF controls environment or the risk of the AUSTRAC proceeding, and maintain that at all times we have complied with our continuous disclosure obligations. We intend to vigorously defend both claims.

For more information on the AUSTRAC proceedings, including the Statement of Agreed Facts and Admissions see: [commbank.com.au/AUSTRAC](http://commbank.com.au/AUSTRAC)

### **Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry**

On 30 November 2017, the Government announced the establishment of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The former High Court Judge, the Honourable Kenneth Hayne AC QC, was appointed as the Commissioner.

The purpose of the Royal Commission is to inquire into the conduct of banks, insurers, superannuation funds and other financial services institutions, and to assess the effectiveness of existing regulatory frameworks and mechanisms for customer redress. A final report is due by 1 February 2019, with an interim report due by 30 September 2018. The Commissioner's report is expected to outline his findings and recommendations, which may form the basis for regulatory changes.

The Royal Commission is conducting rounds of public hearings, focusing on key elements of the financial services industry, including consumer lending, financial advice, lending to small and medium enterprises, superannuation, general and life insurance, and experiences with financial services entities in regional and remote communities.

The Royal Commission is playing an important role in highlighting misconduct and conduct below community standards and expectations, demonstrating that the industry hasn't always done the right thing by customers, and it will continue to highlight cases where we have made mistakes.

We are engaging openly and transparently with the Royal Commission and carefully considering the issues specific to the Group and the broader issues the Royal Commission, customers, regulators and other stakeholders are raising around how the financial services industry operates.

Our Royal Commission project team leads our engagement with the Royal Commission and manages the various requirements, including finding and providing requested documents, supporting our witnesses, attending hearings, and preparing submissions.

As at 30 June 2018, we had responded to 106 notices to produce documents from the Royal Commission, provided 47 witness statements and 10 submissions. In addition, CBA executives had provided in-hearing evidence to the Royal Commission on 12 occasions.

For more information on the Royal Commission see: <https://financialservices.royalcommission.gov.au>

### **ASIC Bank Bill Swap Rate proceedings**

In May 2018, we announced that we had reached an agreement with the Australian Securities and Investments Commission (ASIC) to settle the legal proceedings in relation to claims of manipulation of the Bank Bill Swap Rate (BBSW). The settlement was approved by the Federal Court in June.

As part of the settlement, we have acknowledged that, in the course of trading on the BBSW market in Australia on five occasions between February and June 2012, there were attempts to engage in unconscionable conduct in breach of the ASIC Act. We have also acknowledged that we did not have adequate policies and systems in place to monitor the trading and communications of our staff in order to prevent that conduct from occurring.

The settlement also included a \$5 million penalty, a payment of \$15 million to a financial consumer protection fund, and a \$5 million payment towards ASIC's costs of the litigation and its investigation. We have also entered into an enforceable undertaking with ASIC, under which an independent expert will be appointed to review controls, policies, training and monitoring in relation to our BBSW business.



# Our strategy



## Strong foundations

**The Australian banking industry has performed well financially over the past decade, supported by favourable credit market conditions and a stable, well-regulated domestic financial system.**

**Steady economic conditions and credit growth have enabled the industry to invest in customer experience and deliver good shareholder returns in a competitive market.**

During this period, CBA has been able to grow our main financial institution (MFI) share, deepen customer relationships, and invest in businesses, technologies and capabilities.

There have, however, also been times when we have let our customers down, which is unacceptable. We are committed to being a better bank, earning community trust and doing the right thing by our customers.

Our operating context is evolving. We are experiencing, and are likely to continue to see, ongoing changes in our economic, regulatory and competitive environment, as outlined in our **Business risks** section in the Annual Report.

We have the right foundations to thrive in this evolving context. We have the strongest retail bank franchise in Australia and very strong commercial banking franchises. We have relationships with more than half of all Australians and more business customers than any other bank, supported by the broadest branch network in Australia and our relationship managers for business and institutional clients.

This strength has enabled us to invest in market-leading technology. We now have 6.5 million active digital users and remain the only major Australian bank with a real time banking system.

We also have a strong balance sheet and have been strengthening our capital, liquidity and funding.

Our strategy builds on our strong foundations and reflects the changes in operating context to strengthen our business for the long term and deliver balanced and sustainable outcomes for our stakeholders.

We take our role and responsibility in the community seriously and are committed to making a broad, meaningful and positive contribution to Australian society.

## Our purpose and strategy

**We have a simple purpose: to improve the financial wellbeing of our customers and communities. Our purpose guides our strategy.**

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

### A simpler, better bank for our customers

We will simplify our portfolio, operating model and processes. We will focus on our core retail and commercial banking businesses in Australia and New Zealand.

Within our retail and business franchises, our priorities are to build deep, trusted relationships with our customers, strengthen our business banking proposition, and deliver better operational discipline.

We will grow from a simpler and more digital foundation. We will accelerate our innovation agenda to give customers the best digital experiences, and make it easier for our people to better serve customers.

### Stronger capabilities

To deliver on our strategy we need to achieve better customer, efficiency, and risk outcomes. To do this, we will prioritise strengthening four critical capabilities:

- operational risk and compliance
- cost reduction
- data and analytics
- innovation

### Balanced and sustainable outcomes

We believe that delivering for each of our stakeholders creates a virtuous cycle. We exist to serve customers. Engaged employees with strong values will deliver excellent customer service, better customer outcomes and make a positive contribution to the community. This will, in turn, generate strong, sustainable returns for shareholders.

We will focus on achieving better customer outcomes, earning the community's trust, renewing our culture and delivering for shareholders. We must also operate in a way that helps to ensure a resilient, efficient, fair and safe financial system.

To measure our progress, we will monitor a balanced set of metrics. We have set ourselves the following goals:

- #1 Net Promoter Score for consumer and business customers
- Top quartile reputation score
- Top 10% employee engagement score
- Top quartile total shareholder returns

## Our strategy

### Become a simpler, better bank for our customers

Simplify our business

Lead in retail and commercial banking

Best in digital

### Supported by stronger capabilities

Operational risk and compliance

Cost reduction

Data and analytics

Innovation

### To deliver balanced and sustainable outcomes







## Balanced and sustainable outcomes



## Our customers: delivering better outcomes

**Our focus on service and our strong digital proposition have led to high levels of customer satisfaction, as evidenced by the Bank leading in retail customer satisfaction for 51 of the past 60 months.<sup>(1)</sup>**

Despite this, we acknowledge that if we want customers to be our supporters and advocates, we need to demonstrate more clearly that we are on their side. This requires not only continued leadership in service and digital innovation, but also ensuring that we make a tangible, positive impact on our customers' financial wellbeing.

This is why we have changed our focus from customer satisfaction to tracking both our promoters and detractors through a Net Promoter Score (NPS).

NPS asks customers if they would recommend us to their friends and family, which will provide a better measure of overall customer sentiment.

Gaining NPS leadership requires us to shift beyond customer service and product quality, to eliminate customer pain points. It means being there when it counts, and making a real difference in customers' lives.

In addition to meeting multiple customer needs, we need to help customers better understand and manage their spending and saving, avoid fees, and make better financial decisions.

Our purpose of improving financial wellbeing requires us to guide customers through key life events, such as buying their first home or dealing with job loss, and to have the right conversations with customers to help them build financial security now and for the future.

We have made good progress but we have more to do and will maintain a strong focus on these outcomes.

### Customers served

**16.1 million**

### Digital customers

**6.5 million**

### Largest branch and ATM network in Australia

**1,267 branches** Group total

**4,253 ATMs** Group total

(1) Roy Morgan Research Retail Main Financial Institution Customer Satisfaction.

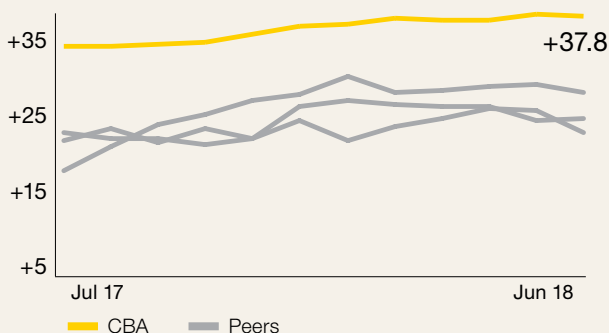
Our aim is to be #1 in NPS for consumer and business customer segments



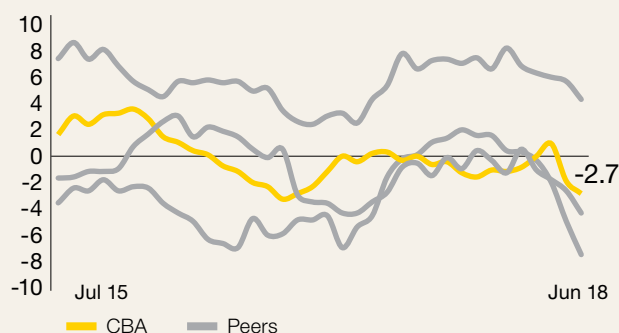
## Focusing on Net Promoter Score (NPS)

NPS is now our primary measure of customer outcomes. Our digital channels have performed well, and we have consistently achieved #1 NPS scores for both our mobile app and internet banking. Improving our consumer and our business customer scores is a major focus for us.

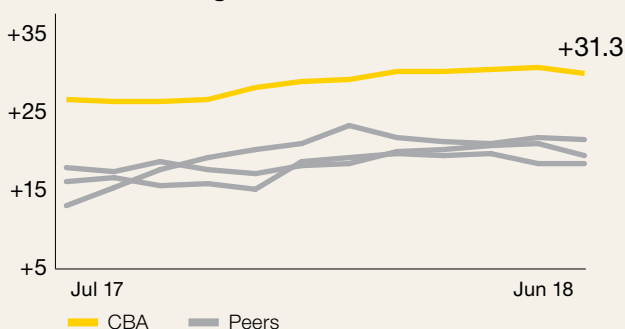
Mobile app NPS<sup>(1)</sup>



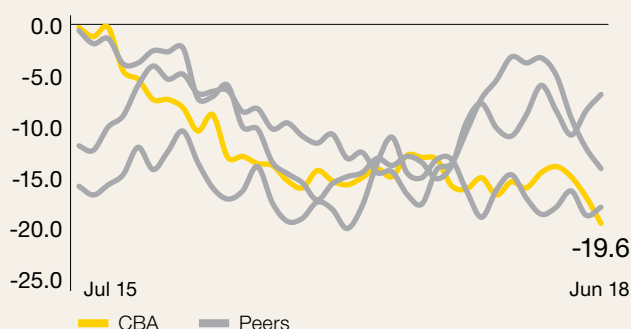
Consumer NPS<sup>(3)</sup>



Internet banking NPS<sup>(2)</sup>



Business NPS<sup>(4)</sup>



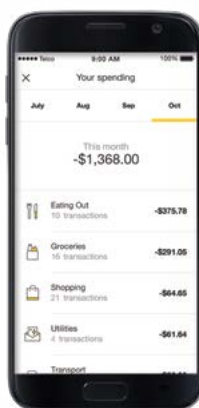
## Putting customers in control of their finances

With almost half of all Australians spending more than they'd like to, we are providing customers with features that give them more visibility and control of their finances.

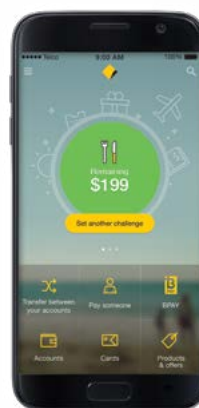
We have launched a range of features through the CommBank app to help customers better track their spending and set savings goals. The features include real time transaction notifications and Spend Tracker which help improve everyday spending habits. We are also piloting a Spend Less Challenge for credit card customers.

### Helping customers avoid fees

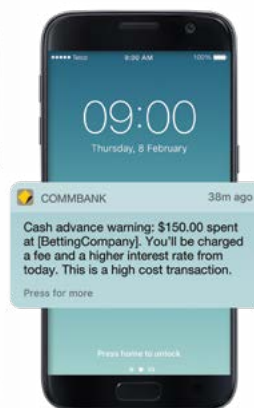
We are now providing alerts through the CommBank app for insufficient funds, credit card payment due dates, and high cost transactions such as ATM withdrawals on credit.



Spend Tracker



Spend Less Challenge



High cost transaction alerts

(1) Roy Morgan's Single Source survey, Australian population 14+ (Internet banking services via mobile app).

(2) Roy Morgan's Single Source survey, Australian population 14+ (Internet banking services via website or mobile app).

(3) DBM Consumer MFI Net Promoter Score, Australian population 14+ (from Aug 16; 18+ for data prior).

(4) DBM Business Net Promoter Score.



## Balanced and sustainable outcomes



## Our community: earning trust

### The Bank has an important role to play in the community as a responsible provider of financial services.

Given our heritage, and our role in the economy and the community, we must also be a responsible corporate citizen.

We take these responsibilities seriously and are focused on meeting the community's expectations – both in terms of the products and services we provide, and the contribution we make to the community.

The Bank supports a range of community organisations and initiatives.

Trust is the cornerstone of banking, but the community's trust in us and our reputation have been damaged recently.

We have launched a comprehensive remediation program (the Better Risk Outcomes Program) to fix weakness in our risk management, strengthen our overall management of risk, and ensure we exceed our regulatory and compliance obligations.

To restore trust and reputation we will change the way we engage with our community and stakeholders by:

- being more proactive and less reactive
- being honest and transparent when issues or incidents occur
- showing genuine traction in addressing the root causes of issues



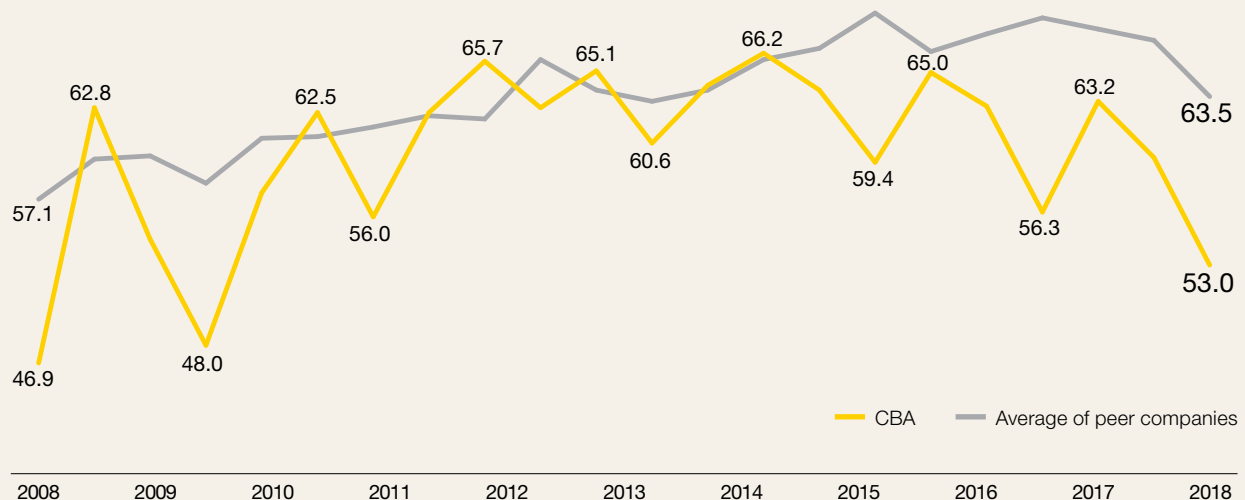
Our goal is to be  
in the top quartile  
of peer companies  
for reputation



## Focusing on trust and reputation

Trust and reputation are critical drivers of the Bank's long-term ability to operate and create value for stakeholders. We are now measuring our reputation performance with the independent RepTrak® survey conducted by Reputation Institute. Our RepTrak® Reputation score is monitored quarterly and is also included in executive leaders' long-term variable remuneration assessments.

### Reputation score versus peer companies



Source: RepTrak 2018, Q2 Australia Report, June 2018, Reputation Institute.  
Peer companies is the average of 16 of the largest consumer-facing companies listed on the ASX.

## Delivering for our community

### Helping fund affordable housing and inclusive communities

On census night in 2016, more than 116,000 Australians were homeless. In New South Wales, there are over 55,000 approved households waiting for public housing and demand for affordable housing options is increasing.

SGCH (formerly St George Community Housing) was founded more than 30 years ago as a not-for-profit with the aim of providing sustainable, affordable and safe homes for low income households in Sydney.

In April 2018, Commonwealth Bank provided a four-year, \$110 million debt facility to enable SGCH to build 285 new homes, adding to its existing portfolio of 4,700 social and affordable properties. The bank will also refinance existing debt to support the delivery of several other developments.

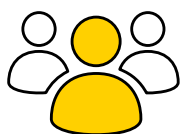


*"If we want a diverse and thriving local community and economy, we need more affordable housing options so that low income earners and key workers, such as teachers, can live in the suburbs where they work."* Scott Langford, CEO of SGCH

Left to right: Julie Stojanovska, contracts officer, Irene Malina, tenant, and Scott Langford.



## Balanced and sustainable outcomes



## Our people: maintaining an energised and accountable team

### Our people's focus on customer service, based on deep motivation to serve customers well and a real pride in our institution, has been a key strength over the last decade.

We have also supported our people and have been recognised as an employer of choice in the Australian workplace by:

- LinkedIn – #2 Top Companies 2017: Where Australia wants to work now
- GradAustralia – #1 Top banking and financial services graduate employer
- Australian Workplace Gender Equality Agency Employer of Choice for Gender Equality 2017–2018

While there is much to preserve, we need to clarify the expectations of how we live our values, and lead our workforce through significant change.

#### Our values

Our objective is to build an energised and accountable team. We have clarified our values as one step of many required to renew our culture.

Our values provide a clear statement about what we stand for and what drives our actions and behaviours. They apply to everyone at the Bank and are a core component of our performance reviews for all staff.

Our values are:

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

#### The importance of diversity and inclusion

Diversity and inclusion are an integral part of our culture, values and the way we do business. There are tangible benefits for our employees, customers, shareholders and the communities we operate in.

#### Helping our people build skills for the future

The pace and extent of change in the workplace has accelerated due to rapid adoption of new technologies, the adoption of flexible working, greater responsiveness to our customers, and an enhanced focus on risk and controls.

Automation and digitisation of the business also changes the capabilities and skillsets we need.

We are preparing for this shift in a way that embraces reskilling and provides choices for our people.

## Focusing on employee engagement

**Engaged and energised employees deliver better customer outcomes and experiences, and are more productive. It's therefore fundamental to our success that our people care deeply about our customers, the community and the Bank, and are committed to our purpose, values and strategy.**

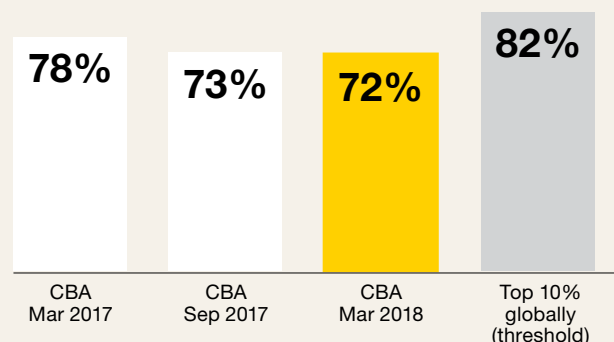
As a sign of how important these outcomes are, employee engagement has been incorporated as a long-term variable remuneration performance measure for the CEO and Group Executives. Employees participate in a survey called Your Voice twice per year. The survey measures our progress on embedding our values, and employee engagement, through an Employee Engagement Index (EEI) score. The EEI score is based on responses to questions relating to satisfaction, commitment, advocacy and pride.

According to our most recent EEI score, overall employee engagement has declined to 72%. This is a reduction of 1% from 73%, recorded in September 2017. Pride in the organisation was one of the most affected areas. However, in a clear sign that our people are eager to engage, the participation rate in the survey was high at 89%. Employees also provided their views on what we need to do better, giving us a clear list of areas for improvement.

**Our goal is to be in the top 10% globally for our employee engagement score**



### Employee Engagement Index score



Source: IBM Kenexa.

## Creating an energised team

We have a 59 year difference between our youngest and oldest employee, and our workforce is more culturally diverse than the Australian population.

This provides us with a rich and diverse set of skills, perspectives and experiences to draw on when serving customers. It allows us to better understand their needs as we share life experiences like securing a first job, starting a family, getting a first mortgage, caring for elderly parents or planning for retirement. Our diversity helps us think more creatively and solve complex problems. It also enriches the Bank's culture when people are valued for who they are, and are supported in career and life transitions.

Our employee-run network, AdvantAge, champions age and life-stage related topics. It's made up of graduates, working parents and older employees planning for retirement. Key priorities include providing flexible work options to help employees reach their potential at every stage of life, breaking down stereotypes and promoting age-inclusive behaviours. We also have employee networks for gender, sexual orientation, accessibility and disability, reconciliation and cultural diversity.



*"I'm still learning. Most of my colleagues are younger than me, but it's not about age, it's about capability. The most important thing for customers is our ability to adapt according to their needs. We earn their respect by showing energy, enthusiasm and empathy."*

Sam Bazzi, Branch Manager, Campsie, NSW



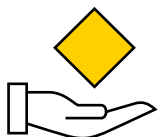
*"At the Campsie branch we speak 14 different languages to cater for our multicultural community. We all have something unique to offer. Sam has such rich life and professional experiences, he can always answer customer queries."*

Aemu Wong, Lending Specialist, Campsie, NSW





## Balanced and sustainable outcomes



## Our shareholders: delivering long-term sustainable returns

### The Bank has historically delivered consistently strong total shareholder returns, and has outperformed the Australian market and peer banks.

We know that stable dividends are valued by our shareholders and that this income supports their financial wellbeing.

With millions of Australians owning nearly 80% of the Bank, the dividends we pay also help support the Australian economy.

We believe that becoming a simpler, better bank, combined with the work being done to improve governance, accountability and risk management, will underpin future shareholder returns. We are also optimising our business and capital settings and adapting to the changing operating environment to drive financial performance and strength.

We recognise that investors are increasingly looking for long-term returns that are supported by strong environmental, social and governance (ESG) performance.

By focusing on both the financial and non-financial drivers of shareholder value, we will deliver sustainable financial performance into the future.

For detailed information on our approach to ESG see both the *Doing business sustainably* and *Corporate governance* sections of the Annual Report.

#### Net profit after tax

**\$9,233 million** cash basis

**\$9,375 million** statutory basis

Continuing operations

#### Dividend per share

**\$4.31**

Full year, fully franked, cash basis

#### Amount received by the average retail shareholder in dividends

**\$3,853**



Our goal is to deliver  
top quartile TSR  
outperformance  
relative to peers



## Focusing on shareholders

**Our aim is to deliver sector-leading returns and a stable dividend stream. We achieve this by focusing on both operating performance and capital generation.**

### Dividend

Per share, fully franked, cash basis

The Bank seeks to pay cash dividends at strong and sustainable levels. This year 80% of profits are being returned to shareholders as dividends (75% excluding the impact of the AUSTRAC civil penalty).

2018	\$4.31
2017	\$4.29
2016	\$4.20

### Capital

Common Equity Tier 1 ratio (CET1, APRA)

The CET1 ratio is an important measure of the Bank's ability to absorb unexpected losses. It compares a bank's core capital with its risk weighted assets. APRA requires the major Australian banks to have a CET1 ratio of 10.5% or more by 1 January 2020. We are on track to meet this requirement.

2018	10.1%
2017	10.1%
2016	10.6%

### Total shareholder return (TSR)

Percent

The Bank aims for long-term, sustainable outperformance on TSR, because TSR combines both share price appreciation and dividends paid and shows the total return to shareholders over time.

10 years	222%
5 years	41%
1 year	-7%

Source: Bloomberg

### Return on equity

Cash ROE, continuing operations

Return on equity is an important measure of the Bank's profitability. It represents the net profit generated as a percentage of the equity shareholders have invested. ROE remains strong, though has declined in recent years due primarily to regulatory requirements for higher levels of capital.

2018	14.1%
2017	15.7%
2016	16.1%

For more detail on the Bank's financial and non-financial performance see the **Performance overview** section.

## Aligning executive remuneration with shareholder experience

The Bank's executive remuneration framework supports the Banks' strategy and shareholder interests. This year action has been taken to further the alignment with shareholders by imposing remuneration consequences on all senior leaders in the Bank for the poor risk and customer outcomes that have occurred.

Remuneration has been reduced by more than \$60 million for current and former senior leaders as a result of adjustments to variable remuneration and partial or full lapsing of outstanding deferred variable remuneration awards. This includes the actions taken by the Board in August 2017 to reduce Non-Executive Director fees, and reduce to zero the short-term variable remuneration for Group Executives in the previous financial year.

For more information see the **Remuneration report** in the Annual Report.



## A simpler, better bank for our customers

**We will simplify our portfolio and focus on our core retail and commercial banking franchise. In parallel, we will accelerate our digitisation agenda.**

### Simplify our business

#### Demerging wealth management and mortgage broking

To simplify our business and allow us to focus on our core banking businesses, we have announced our intention to demerge our wealth management and mortgage broking businesses. This will create a new, leading wealth management and mortgage broking company (NewCo), which will be listed on the Australian Securities Exchange.

Shares in the new listed company will be allocated to our shareholders in proportion to their ownership of CBA shares. NewCo will be made up of Colonial First State, Colonial First State Global Asset Management (CFSGAM), our third-party distribution businesses – Count Financial, Financial Wisdom, Aussie Home Loans – and our minority shareholdings in CountPlus and Mortgage Choice.

The demerger will enable NewCo to pursue growth and investment decisions appropriate for its business.

We expect to implement the demerger in 2019, subject to shareholder and various regulatory approvals.

### Reviewing our portfolio

We are making progress on divesting our life insurance businesses, with Sovereign already divested and the divestments of CommInsure Life and BoComm Life subject to regulatory approvals. PT Commonwealth Life is under strategic review.

Also under strategic review are our general insurance business and our stake in Vietnam International Bank. We have also decided to exit our TymeDigital business in South Africa.

### Lead in retail and commercial banking

The Bank will benefit from greater focus on our core banking businesses in Australia and New Zealand. These businesses all have market-leading capabilities and together represent over 90% of the Group's net profit after tax in 2018.

In an era of increased scrutiny and disruption, it is important that we direct our investment and management attention on our core businesses to improve operational risk and best position us for the future.

We will accelerate our innovation agenda around our core businesses to create growth options for the future. Our primary focus will be on strengthening our position in three critical areas: mortgages, business banking, and payments.

#### NewCo

Colonial First State	CFS Global Asset Management	Aussie Home Loans	Count Financial	Financial Wisdom	CountPlus	Mortgage Choice
Investment, superannuation and retirement products	Global investment management	Leading mortgage broker	Financial advice	Financial advice	Accounting and advice (minority stake)	Mortgage broker (minority stake)

## Retail banking

### Deepening customer relationships and enhancing distribution through digital

We will continue to offer the best digital experiences to increase customer loyalty, attract new customers and improve retention. We will also maintain the broadest and most efficient distribution network in Australia.

We will continue to provide market-leading products and services to meet customer needs at every life stage, including everyday banking, consumer finance, and home buying. We will invest to maintain the best home buying experience. Digital will play a larger role, but will be tightly integrated with home lending specialists and mobile lenders who will continue to be an important part of the customer experience.

Providing financial advice to our customers is consistent with our purpose: to improve financial wellbeing. Commonwealth Financial Planning will remain part of Commonwealth Bank Group and will be integrated into our Retail Banking Services business unit. We will continue to evolve our model for Advice to ensure we consistently deliver good quality advice that meets community expectations and regulatory obligations.

Bankwest, which provides banking services Australia-wide but has most customers in Western Australia, will be more closely integrated with our Retail Banking Services business unit. This will allow us to leverage our shared understanding of retail customers' needs and expectations across brands.

The strategic direction of ASB, our New Zealand bank, will be broadly aligned to our Australian mass retail customer proposition, but adapted to local conditions. ASB will continue to operate on a stand-alone basis given the separate regulatory jurisdictions and ASB's strong execution track record.

Our continued success in retail will be marked by improved customer outcomes, loyalty and experience, and a #1 ranking relative to our peers in NPS. We will also aim to continue managing volume and margins for strong and sustainable outcomes.

## Business and Private Banking

### Investing and innovating for growth

Business banking remains a focus as we concentrate our efforts on the domestic market.

We will grow in business banking by hiring more bankers to serve customers, and by innovating to compete in an increasingly competitive market. Our priorities are to provide a better commercial lending experience and deeper payments integration.

We have established a more complete end-to-end accountability in our Business and Private Banking (BPB) business unit by integrating our small business team, core business products, and analytics teams and capabilities into BPB.

This new model will enhance coordination between our product and distribution functions, provide clearer accountabilities for our people, and deliver improvements to the business customer experience. The changes will also ensure that we are able to make more efficient use of our resources, so we can invest and innovate for growth.



## We're helping SMEs get Wiise

Business management for small and medium enterprises (SMEs) is set to become easier with the launch of a new cloud-based, end-to-end, business management solution called Wiise.

Developed in collaboration with KPMG Australia and Microsoft, Wiise empowers SMEs to take control of their business by combining accounting, payroll and banking, and operational functions, including HR, inventory and manufacturing.

Wiise integrates with the Bank's invoicing platform, CommBank Simplify, as well as banking data feeds, linking customers' banking and accounting platforms together. Users will also be able to enquire about and in some cases apply for specialised business banking products directly through the platform.

**A simpler, better bank for our customers**

## **Institutional Banking and Markets**

### **Simplifying and refocusing on the most attractive segments**

Our Institutional Banking and Markets (IB&M) business unit makes an important contribution to its clients, Australia and the markets in which it operates. It serves a large corporate, government and institutional client base with funding, risk management and working capital product offerings.

We will focus on the most attractive market segments where we are well positioned. This means strengthening domestic deposits, payments and lending and supporting client activity with a close link to Australia or New Zealand.

We are optimising our portfolio mix and international footprint for lower risk and better returns. We support our clients' needs through proven structuring capabilities and by leveraging our data and analytics.

By supporting industry and economic development, and through a commitment to financing the transition to a zero-emissions economy, IB&M contributes to building Australia and has a broader impact on the financial wellbeing of the country and all Australians.



### **Helping Adelaide Oval shine**

Cricket fans got a world-class experience at Adelaide Oval's historic day-night Ashes Test in December thanks to a new, energy efficient upgrade to its lighting and sound equipment.

The upgrade, financed by Commonwealth Bank and the Clean Energy Finance Council (CEFC) not only makes for a better spectator experience, but has reduced the stadium's energy use by up to 35%.

More than 220 energy efficient LED lights were installed throughout the grandstands, as well as atmospheric feature LEDs, high-definition ribbon boards and audio visual equipment upgrades.

It's a winning combination for the Adelaide Oval Stadium Management Authority, as innovation helps attract international event promoters, cuts energy costs and pleases fans who like to see their team colours on display.

Adelaide Oval's upgrade was delivered through the Commonwealth Bank and CEFC Energy Efficient Equipment Finance (EEEF) program, which helps businesses fund energy efficient vehicles, equipment and projects.

The EEEF program has provided approximately \$50 million in funding for energy efficient projects in South Australia since launch.

## Best in digital

Our future will be increasingly digital. Our customers continue to be more and more digitally active and are doing more banking on their mobile phones.

Over a number of years we have invested to build market-leading digital assets and innovative customer interfaces. We now have 6.5 million active digital customers and our CommBank app and NetBank website both rank #1 for Net Promoter Score.

We intend to continue to lead the market with the digital experiences and services that we provide. We will accelerate towards a mobile-first, multi-channel experience for our customers across all of our businesses.

Our strong franchise also means we have the broadest and richest data assets of our peers. Over the past three years we have built our Customer Engagement Engine to use the data we have to create personalised experiences for our customers. For instance, last year we thanked 4.6 million customers for their loyalty.

We also invest in privacy and cyber security to make sure customers' information is safe.

## Introducing Ceba – your digital assistant

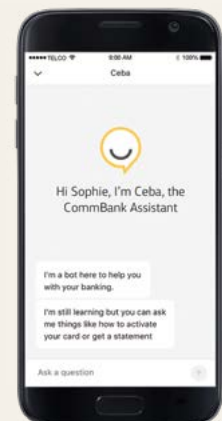
Ceba is Commonwealth Bank's chatbot. Available 24/7 through NetBank and the CommBank app, Ceba helps customers complete 282 banking tasks and can understand 85,000 different ways of asking these questions.

Ceba helps by guiding customers through an action, pointing them to more information, or smoothly transferring them to a human assistant. Driven by artificial intelligence, Ceba will keep learning how to best help with different enquiries.

All NetBank and CommBank app customers can now chat to Ceba. Since launch, Ceba has had over 580,000 conversations with our customers and is currently handling around 10 chats per minute.

# 282

**banking tasks  
through Ceba**





## Stronger capabilities

**To deliver on our strategy, we need to achieve better customer, risk and cost outcomes. To do this, we will strengthen four critical capabilities: operational risk and compliance, cost reduction, data and analytics, and innovation.**

### Operational risk and compliance

Our management of operational risk and compliance obligations has not kept pace with increasing demands. A good risk culture is one where risk management is everyone's job.

We will preserve the customer orientation of our culture, but apply lessons from best-in-class organisations that have built strong operational risk cultures.

We will do what it takes to fix the root causes of issues, including governance, capability, culture and investment. We'll also simplify underlying operational processes, policies and systems.

We have launched the Group-wide Better Risk Outcomes Program (BROP), reporting directly to the CEO with strong Board oversight and independent assurance on implementation effectiveness. BROP will drive sound execution of the changes we need to make throughout the Bank, and will support greater focus on the individual risk management accountabilities of our leaders and people.

### Improved productivity and greater flexibility through automation

The introduction of Robotic Process Automation and digital workflow has significantly improved the way we process home loan settlements. More than 90% of the financial transactions required for settlement have been automated, and paper has been removed from the process. This has created productivity savings of approximately 100 hours per day across the team.

### Cost reduction

Effective cost reduction across the Group is a critical area of focus, given the lower-growth outlook, margin pressure, increasing competitive threats from lower-cost business models, and the need for ongoing spend on risk, remediation and compliance. We are optimising the structure and composition of our expense base to provide us with the operating agility to effectively respond to the rapidly changing landscape.

Our new strategy helps us achieve these cost outcomes:

**Simpler operating model** – Focusing on our core business allows us to create a leaner organisation by consolidating overlapping and complementary activities and teams across business units, and by streamlining processes and operations in support functions. Having a simpler business also makes it easier to prioritise and dedicate investment where it is required. In this way, portfolio optimisation reduces cost and complexity and improves risk-adjusted returns. We are also reducing our IT costs by adopting a new operating model and new procurement strategies, and through better demand and cost management.

**Innovation focusing on digitisation and automation** – We are evolving our distribution model in line with a growing customer preference for digital channels and functionality. The shift to digital allows us to redesign and automate manual processes. In addition to the cost savings, freeing our people up from time- and labour-intensive tasks allows them to focus on service. This improves the customer experience and provides more opportunities for growth.

**Use of data and analytics** – In addition to providing growth and revenue opportunities, we are using data and analytics as cost reduction tools. Increased ability to capture, analyse and extrapolate findings from data allows us to completely re-engineer key monitoring and trend identification activities, such as financial crimes compliance, cyber security and fraud. It's also helping us to make informed decisions about our distribution network, including where to locate branches and how to resource all of our distribution channels to best meet customers' needs.



## Customer engagement engine

Our Customer Engagement Engine (CEE) decides the next best conversation to have with customers 21 million times every weekday across our digital channels, contact centres and branches. The CEE looks at each of those interactions, and in less than 300 milliseconds, updates our understanding of the customer, so that our next interaction with them is more meaningful and personalised.

Machine learning enables the CEE to make these interactions more and more relevant to our customers' financial wellbeing over time.

## Data and analytics

Data and analytics are critical to our future success. We invested early in analytics and we have great examples where our scale, capabilities and unique data sets have been a clear competitive advantage. We have even more opportunity to further enhance our risk control environment, further drive productivity and improve customer experience.

As customers demand greater personalisation and tailored insights, and expect their personal information to be secure and private, we will be investing in the data and analytics capabilities that put us in the best position to meet their needs.

Open Banking and Comprehensive Credit Reporting accentuate the case for change. When fully implemented, these regulatory reforms will enable financial data to be shared between financial services companies, with customers' consent. Ahead of these changes, we are focusing on our data security and privacy capabilities to protect our customers. We are also working on using these data sources to provide new services and products that improve our customers' financial wellbeing.

## Innovation

We have invested heavily to build market-leading digital assets and have more than 6.5 million active digital users. Our CommBank app is used by 5 million customers and has a Net Promoter Score of +37.8, more than 10 points higher than our closest major bank peer.

We have launched a range of market-leading innovations, and our digital offering plays a critical role in our financial wellbeing program by helping customers to manage spending, avoid fees, save more, and use credit prudently.

Going forward, we will develop new propositions and adapt our business to drive better customer and business outcomes in the face of increasing regulatory, macroeconomic and competitor headwinds.

We will also take a more active approach to managing innovation as a portfolio, ensuring that we invest in a balanced portfolio of nearer-term and longer-term innovation.



# Doing business sustainably



**Our corporate responsibility programs and initiatives support the Bank's strategy to deliver balanced and sustainable outcomes for our customers, community, people and shareholders. Every year we undertake a materiality assessment to understand what our stakeholders consider to be important. This helps us to evolve our strategy, supporting programs and initiatives in response.**

## What is important to our stakeholders

This year we asked our stakeholders to consider the current operating environment, global megatrends and emerging issues, including trust in business, technology as a disruptor, the transitioning workforce and climate change.

The following table outlines the areas of most interest to our stakeholders, and how we are responding.

## Identified stakeholder issues

Areas of focus	How we respond
<b>Serve customers responsibly</b>	Our purpose is to improve the financial wellbeing of our customers and communities. We are committed to delivering better outcomes for our customers. We do this by listening to our customers, providing a range of financial wellbeing initiatives, through customer advocacy and with financial education programs.
<b>Trust and reputation</b>	Trust and reputation are critical to our ability to operate and to deliver for our stakeholders. We are contributing to our communities through our CommBank Foundation community grants and pro bono engagement with community groups, recognition of great educators through the Commonwealth Bank Teaching Awards, and role modelling reconciliation with career opportunities and dedicated customer assistance for Indigenous people, and cultural capability training for our employees.
<b>Accountable, diverse and inclusive workforce</b>	We empower our people to deliver the best outcomes for our customers. Our people are guided by the Bank's updated values, which are explained in the <b>Our strategy</b> section. We are promoting health and wellbeing for our people and we continue to create a diverse and inclusive workplace culture.
<b>Long-term sustainability</b>	Conducting our business in a responsible way is critical to delivering balanced and sustainable stakeholder outcomes. We minimise risks and seek opportunities through responsible business lending and investing practices, by operating our offices and branches efficiently, sourcing responsibly and by respecting human rights. Climate change as a significant long-term driver for financial and non-financial risks and opportunities, and our response to this is reported in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

## Stakeholder engagement

We engage with a wide range of stakeholder groups on issues that impact our business. This is fundamental to the way we operate, as stakeholder views provide us with valuable insights. Our approach to stakeholder engagement is guided by the AA1000 AccountAbility Stakeholder Engagement Standard and our Stakeholder Engagement Approach.

Stakeholders	How we engage
<b>Customers</b>	Multi-channel engagement, customer feedback and complaint channels, customer surveys and workshops, customer advocate, customer representatives and bodies, and external dispute resolutions.
<b>Employees</b>	Group-wide and ad-hoc employee engagement surveys, digital and social platforms, meetings, employee events and the SpeakUP Hotline.
<b>Shareholders</b>	Financial and non-financial reporting, briefings, surveys, meetings and the Annual General Meeting.
<b>Government and regulators</b>	Meetings, submissions and proposals, commissions and inquiries, and financial institution associations.
<b>Suppliers</b>	Supplier meetings, briefings and workshops, risk assessments, Supplier Code of Conduct and the SpeakUP Hotline.
<b>Media</b>	Phone calls, meetings and emails, briefings and media releases, digital and social channels.
<b>Community organisations, non-governmental organisations and charities</b>	External advisory panels, industry memberships, meetings, phone calls, correspondence, and support of events, summits and forums.
<b>Service providers and academics</b>	Meetings, phone calls and correspondence.

## Transparent about our progress

We measure what matters, and what we measure gets managed. We benchmark our progress against a number of leading sustainability indices and surveys to drive better performance in environmental, social and governance issues.

### Recognition



In 2018, we were again ranked as the top Australian company and top bank in the Global 100 Index of the most sustainable corporations in the world



Listed in the Dow Jones Sustainability World Index



Scored a B for taking co-ordinated action on climate change



Listed on this index for demonstrating strong ESG practices since 2009

### Frameworks



Our non-financial reporting is presented in accordance with the Global Reporting Initiative (GRI) Standards – core option. The GRI Index is available on our website [commbank.com.au/about-us/investors](http://commbank.com.au/about-us/investors).



The Group is a participant in the United Nations Global Compact (UNGC) and we are committed to implementing the UNGC principles that cover human rights, labour, environment and anti-corruption matters.



Complied with project finance reporting for the Equator Principles



Reported in line with the recommendations of the Task Force on Climate-related Financial Disclosures

## Sustainable Development Goals

The Sustainable Development Goals (SDGs) have been adopted by 193 countries, including Australia and New Zealand, in support of the UN's Sustainable Development Agenda. These 17 interconnected goals are designed to trigger action to address issues such as poverty, hunger, inequality and impacts to the environment.

With our material issues in mind, we have identified the SDGs that are most relevant to our business and stakeholders.

## SUSTAINABLE DEVELOPMENT GOALS

### Our 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.



### Our 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.



### Our people



We motivate our people through leadership and engagement, by promoting health, wellbeing, diversity and inclusion, and by providing training and career development.



### Our shareholders



We deliver sustainable financial performance through strong conduct, culture, governance, accountability, remuneration and responsible business practices.





## Better customer outcomes

**Improving the financial wellbeing of our customers supports better outcomes for our business. In addition to the business focus on customer service and financial wellbeing, we are committed to doing better for customers in need, providing improved access to banking services for marginalised customers, and resolving issues for customers who have had poor experiences with the bank.**

### Listening to our customers

Our customers are the first to tell us when we haven't met their expectations. We take complaints seriously and all staff are trained to work with our customers to address them quickly, and in a fair and transparent way.

We record all complaints so we can learn from our mistakes and fix underlying issues.

Group Customer Relations manages the most complex and sensitive complaints escalated from our frontline staff, and customers, as well as those lodged through external dispute resolution processes. Our staff are trained to consider whether each complaint they handle might be a systemic issue and flag it for further investigation.

As per regulatory guidance from the Australian Securities and Investments Commission (ASIC), we must apply our full internal dispute resolution process to complaints or disputes that are not resolved within five business days of receiving the complaint. Based on this criteria, we handled more than 62,000 customer complaints this year. This was a 15% increase on the previous year.

### Improving support for customers in financial hardship

We have made significant improvements in how we support customers who are experiencing financial hardship.

These efforts were recognised in the Financial Counselling Australia *Rank the Banks* survey of financial counsellors. We were the highest ranked bank for our financial hardship policies and practices in the survey, which took place in November and December 2017. This was a significant turnaround for us, as two years ago we were ranked last amongst our peers.



## Advocating for customers

Ms E, 86, lives in a nursing home and has dementia. Her representative disputed almost \$25,000 of transactions on her credit card.

As the personal identification number (PIN) had been used for the transactions and the credit card had not been declared lost or stolen, the claim was not accepted.

Ms E's representative took the claim to the Customer Advocate, where a review found that due to her dementia Ms E may have disclosed her PIN to another person. The disputed transactions were not in line with her usual spending habits.

The Customer Advocate determined that it was likely that Ms E was not responsible for making the transactions and the amount in dispute should be written off on compassionate grounds.



We will continue to improve further. This year we helped more than 56,000 customers experiencing financial hardship. Depending on individual circumstances, the solutions we offer include reduced payments, loan term extensions, debt refinancing or concessions for certain fees and charges.

We also continue to support financial counsellors to build their skills in partnership with Financial Counselling Australia and funding scholarships through the Jan Pentland Foundation.

### Better customer outcomes through advocacy

We are committed to being open and transparent with our customers and our community. We understand that we have failed some of our customers and have not responded to, or not resolved, issues quickly enough.

This is why we established the customer advocate function to strengthen accountability for fair customer outcomes and offer a more customer-oriented approach to our business. The 40 people in our customer advocate team help improve products, processes, systems and decision making in order to deliver better and consistently fair customer outcomes. The team amplifies the voice of the customer, particularly those who are marginalised, disadvantaged, or find the financial system daunting.

Since 2016, the team has undertaken important work to help deliver fair customer outcomes by removing barriers to banking, finding and fixing customer issues, and providing a helping hand to those in need.



**Percentage of older Australians estimated to be affected by elder abuse, with financial abuse the most common form**

**10%**

(Australian Institute of Family Studies, 2013)

**Money lost to scams and fraud each year**

**\$3 billion**

(Australian Bureau of Statistics 2015)

**Percentage of those affected by scam activity aged over 50**

**75%**

(CBA internal data)

### Removing barriers

Banking can be complex and, for some, intimidating. Our customer advocate team is focused on reducing and removing the barriers that stand in the way of financial inclusion.

We continually investigate areas of customer vulnerability to help us identify where customers may be at risk of receiving poor outcomes. Over the last 12 months we have conducted investigations into areas such as financial vulnerability, payment frequency, language barriers, elder abuse and scams, Indigenous disadvantage, and challenges that arise from poor mental health. The results of this work help the Bank improve its products and services for vulnerable people.

A quarter of our customers live in regional Australia and many face challenges that are unique to their areas. We have met with customers and community leaders around Australia, from Launceston, Mandurah and Mildura to Palm Island, Tamworth and Wagga Wagga, to better understand how we can support our regional customers.

We have continued to work closely with our Customer Advocate Community Council, which brings together 25 thought leaders and senior representatives from community and social policy organisations to ensure that we are informed and responsive to community concerns.

This year we partnered with CommInsure to launch a program that automatically directs customers to agents who speak their language. Our Arabic and Mandarin pilot results are promising and we continue to explore other languages.

The Customer Advocate also launched our Accessibility and Inclusion Plan 2017–2020 to improve access to banking for Australians with a disability. We also reviewed the Bank's processes to ensure we were ready to support customers who wish to marry same-sex partners.



**Finding and fixing customer issues**

In a business our size things will sometimes go wrong. The customer advocate team is focused on identifying issues that might have a negative impact on customers. The team aims to proactively identify issues before customers are affected, but if there is already a customer impact, the team looks to identify everyone who is affected. This helps us resolve issues quickly and fairly.

If a customer is unhappy about the outcome of a complaint investigated by Group Customer Relations, he or she can refer it to the customer advocate team for an independent review. Decisions made are final and binding on the Bank, but not on customers, who are still free to go to an external dispute resolution body. The independent review can result in compensation for financial or non-financial loss, amending or voiding the terms of a contract, or another outcome.

The customer advocate team maintains its independence by remaining separate from the Group's business units and also by having independent decision rights and delegations.

The team reviews complaints closed by the Bank in areas such as mental health, small businesses and scams, to assess how they are resolved, the time it takes to resolve them, and what the outcomes were. These findings are then used to make improvements and in turn create better outcomes for our customers.



**The customer advocacy team seeks to resolve all disputes within 15 days.**

**Average number of days it took for the team to resolve disputes during the year**  
**11**

**Closed complaints reviewed by the Customer Advocate as part of thematic reviews**

**850**

**Open complaints referred to the Customer Advocate directly by customers**

**592 reviewed**

**Customers who sought external dispute resolution afterwards**

**19**

**Customer Advocate decisions that were overturned by external dispute resolution**

**0**

To help prevent problems occurring in the first place, the Customer Advocate has recently taken on the role of managing systemic issues that become apparent from the investigation of complaints. This pre-emptive action allows us to identify people who have not yet complained, and help them quickly.

If we identify a number of customers whose circumstances require remediation, the customer advocate team works to ensure that remediation is fair, timely and consistent.

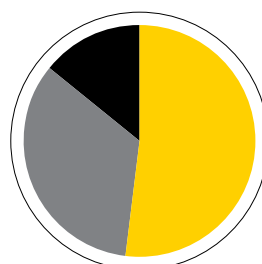
The team also provides support throughout the Bank to ensure customers receive appropriate products for their circumstances. During the year the team has had an active role in setting up and participating in project investment, product forums, and review processes aimed at achieving better results for customers.

**Providing a helping hand**

We are often well placed to reach out to customers who might need a helping hand. Following the analysis of seven years' worth of complaints data, we identified that our customers in regional communities may be at higher risk of mental health problems. As strong and prosperous communities benefit everyone, we partnered with the regional and agribusiness teams to hold a mental health summit in Tamworth. The expert community representatives who attended will help us develop a roadmap for how the Bank can play a greater role in the community response to mental health.

To help multicultural communities we have delivered initiatives that include an internship program to provide opportunities for members of African communities to work in the Bank, a Victoria University mentoring program, and a youth-focused financial literacy program in partnership with the Islamic Museum of Australia.

This year our customer advocate team launched Safe & Savvy – a guide and awareness program to help protect older people and their families from financial abuse, scams and frauds. The threat posed to elderly people is increasing as incidents of abuse have grown and scams have become more sophisticated and targeted. Many cases go unreported. The Safe & Savvy guide is available online and in our branches, and gives an overview of the types of financial abuse to look out for, tips to avoid scams and fraud, and practical steps to help safeguard the interests of older people. To complement this work, more than 9,000 retail employees have received specialist training.

**Outcomes from the Customer Advocate review process**

- 52% – Customer Advocate agreed with the Bank's decision
- 34% – Customer Advocate agreed with the Bank's decision but took further action to deliver a fair and reasonable resolution
- 14% – Customer Advocate disagreed with the Bank's decision and substituted a new decision for the customer



## Contributing to our community

**We work with communities in eleven different countries. We engage with community groups and the broader community on a number of projects and initiatives.**

### Supporting our community

The Bank and its people support community organisations through donating money and time.

#### A century of giving through CommBank Foundation

This year, our charity, CommBank Foundation, celebrated 100 years of giving.

To recognise how much our people contribute to their local communities, and to celebrate the centenary, we gave employees the opportunity to donate more than \$10 million to local organisations. This initiative delivered 1,028 grants, each valued at \$10,000, to youth, education and health organisations nominated by local employees.

This donation was made in addition to CommBank Foundation's ongoing Community Grants program. Last year we changed the program to provide a three-year commitment to our Community Grants recipients. More than \$3 million was awarded to 220 youth organisations throughout Australia.

### Time is just as valuable

Community organisations often rely on donations to enable them to continue the great work they do. Many of these organisations benefit just as much from people donating their time and skills.

Our pro bono services provide opportunities for our people and community groups to connect and work together. Pro bono engagements provide value to the community and to us, where community groups benefit from our skills and expertise, and our employees develop professionally and personally.

One of our key partnerships is with Jawun, which facilitates secondments between companies, government agencies and Aboriginal and Torres Strait Islander organisations. During the year, 20 of our employees spent time working with community groups and businesses in the NSW Central Coast, Inner Sydney, North East Arnhem Land and Ngaanyatjarra Pitjantjatjara Yankunytjatjara Lands.

### Teaching the value of money

Our financial education programs provide people with much-needed skills to manage their money and prepare them for the future of work.

#### Start Smart and ASB GetWise build financial know-how

Developing financial capability is a valuable future skill for young people. Start Smart is a free financial education program that is curriculum-aligned and available to all students, irrespective of whether they bank with us.

This year we had more than 568,000 students participate in Start Smart classes across primary, secondary and vocational education and training (VET) education institutions.



## Laughter helps to heal

The Humour Foundation's Clown Doctors are our 2017-2020 national community grant recipient, and we have supported their fantastic work since 1999. Clown Doctors are specially trained performers who use their unique flair and humour to brighten a sick child's stay in hospital. In addition to the \$400,000 National Community Grant they receive each year for the next three years from CommBank Foundation, we also raised more than \$180,000 for the Clown Doctors, with the help of teams in communities like Shepparton, who ran a range of fundraising Smile Day events.



# \$580,000+

**raised for Clown Doctors this year**



**We support  
community  
organisations  
with donations  
and time**



## Move against cancer

Through our annual fundraiser Can4Cancer, run in partnership with Tour de Cure, our people raise funds for cancer research and prevention, whilst actively promoting employee health and wellbeing.

In 2017, more than 1,500 employees participated in walks and bike rides in Sydney, Melbourne and Brisbane. Their collective participation in Can4Cancer means they travelled more than 92,500 kilometres to raise money for cancer research and prevention. Further, many of our people were encouraged to make lasting lifestyle changes which translate into lower cancer risks and improved wellbeing.

We raised more than \$1.6 million through these activities, well surpassing our target of \$1.25 million. We aim to raise more than \$2 million in 2018, with a national rollout of this initiative.



**92,500km+**

**collective distance  
travelled by more than  
1,500 employees to  
raise money for cancer  
research and prevention**



## Community investment

**\$290 million**

includes cash, volunteering, forgone revenue and project costs

## Recipients of CommBank Foundation centenary grants

**1,000+**

community organisations

## Volunteering and pro bono hours

**21,900+**

We are building on the success of Start Smart and introducing entrepreneurial education programs. Working with the Foundation for Young Australians we are sponsoring and further developing the \$20 Boss program, the largest entrepreneurship program in Australia for secondary school students. It provides a real-world experience that kids can easily translate into their everyday lives. In addition, we are working with the Business Educators Australasia to sponsor the Plan Your Own Enterprise program which invites students to devise a business idea and create a plan to turn their concept into a financially viable enterprise.

In New Zealand, ASB GetWise is the country's largest youth financial education program, delivered free to primary and intermediate students. It teaches basic money management skills, including establishing good savings habits at an early age.

This year, the program exceeded its school participation target for schools in lower socio-economic communities. Overall, it delivered 3,877 workshops to more than 460 schools, and reached more than 97,000 registered students.

## Supporting Indonesia's female entrepreneurs

More and more women are entering the world of business and entrepreneurship in Indonesia. Our Women Investment Series (WISE) program offers free financial workshops, masterclasses and a financial literacy app to equip female entrepreneurs in Indonesia with the core skills needed to build successful businesses. In partnership with a number of on-the-ground organisations, we have helped empower more than 2,800 women. This benefits families and local communities.

This year we updated the WISE app to include new features, content and an enhanced user experience. We also launched a joint research program with MasterCard to understand the factors that help female entrepreneurs transition from the informal to the formal economy.

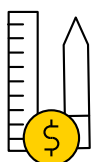


## Using data and analytics to assist Northcott

As one of Australia's largest not-for-profit disability service organisations, Northcott works with customers to realise their potential.

A group of 20 employees from our customer experience team spent a day at Northcott to look at data and analytical challenges in the organisation. Teams worked on issues in reporting for the help desk, rostering, sales and claims, and building on sales.

This effort helped Northcott to fix reports that had not run for a year and update financial models. The organisation identified potential savings of \$300,000 a year from these improvements.



**Investment in education programs  
over the last three years**

**\$50 million**

**Students participating in  
Start Smart sessions**

**568,000+**

**School banking participants**

**299,000+**

## Commonwealth Bank Teaching Awards

In recognition that great educators help children reach their full potential, each year we work in partnership with Australian Schools Plus to award 12 Commonwealth Bank Teaching Award Fellows. These awards help showcase Australia's great teachers, celebrate their achievements, and show an appreciation for the important work they do.

The 12 Teaching Award Fellows for 2018 each received a \$45,000 Fellowship to implement school programs and put towards their own professional development.

All previous recipients of the award say that they have been able to use this recognition to influence the education system, drive inter-school collaboration, and improve their professional standing.

## Evidence for Learning

In partnership with Social Ventures Australia we have developed a social enterprise called Evidence for Learning, which supports evidence-based teaching practices in Australia.

Since 2015, Evidence for Learning has successfully completed trials with more than 8,000 students in 160 schools. These trials, combined with the Australian Teaching and Learning Toolkit and the creation of the Teacher Practice Guide for Evidence, have delivered an increase in the overall use of evidence-based learning.

Our support of Evidence for Learning allowed us to respond to the Federal Government's Review to Achieve Educational Excellence in Australian Schools.

## Role modelling reconciliation

We support the success of Aboriginal and Torres Strait Islander customers, employees, businesses and communities. Our Elevate Reconciliation Action Plan details the initiatives and programs that we have embedded to generate positive outcomes.

### A career, not just a job

We are committed to providing more employment opportunities for Aboriginal and Torres Strait Islander Australians. It is important that the opportunities we provide are meaningful. We are investing in a range of programs that provide skill development in new areas such as information technology and cyber security.

We are targeting an increase in the proportion of Aboriginal and Torres Strait Islander employees in our domestic workforce to 3% by the end of 2026. This will be equal to the proportion of Indigenous people in the Australian population.

It is a challenging target. The current level of representation is 1%, which is an improvement from last year. We have two years to meet our interim target of 1.5%.

Our Indigenous Careers team has focused on key areas of traineeships, internships and experienced recruits to deliver career opportunities.

We provided school-based and full-time traineeships to 66 Indigenous trainees during the year, with 47% of trainees securing employment with the Bank.

As a 10x10 partner of the CareerTrackers Indigenous Internship Program, we exceeded our annual commitment to provide at least 25 internships by providing 30 opportunities for Indigenous university students. Since 2015, this partnership has provided a pathway for 17 graduates into our graduate program and with a further seven graduates joining us next year.

## Skills for building relationships

We are making sure that our people have the skills to build strong relationships with Aboriginal and Torres Strait Islander peoples.

We continue to roll out our Cultural Capability Framework, which was developed in conjunction with BlackCard. To-date we have trained more than 300 employees through face-to-face workshops.

Each year we send 40 employees on cultural immersion programs at the Bawaka and Nyinyikay Aboriginal homelands in North East Arnhem Land. The programs are operated by Lirrwi Aboriginal Corporation, and provide our people with unique cultural learning opportunities.

## Stronger Indigenous businesses and customers

Our Indigenous Customer Assistance Line continues to provide a valued banking service to customers in more than 150 remote communities in Australia. We received more than 180,000 calls to this service during the reporting period.

We have partnered with the Indigenous Customer Assistance Network's (ICAN) Indigenous Financial Counselling Mentorship Program, and over the past three years we have supported 34 Indigenous Australians to complete their Diploma in Financial Counselling. This mentorship approach is recognised within the financial counselling sector as a best practice training model for people wishing to undertake the diploma.

The success of this mentorship program has encouraged ICAN to expand its offering of scholarships to its new multicultural financial counselling mentorship program. We are funding 10 student placements on this program this year.



## Working with suppliers to support Indigenous businesses

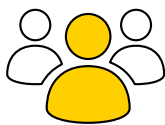
This year we launched a pilot initiative that commits selected major suppliers to work with us on opportunities for Indigenous businesses throughout our supply chain.

This collaboration will create subcontracting possibilities, and other indirect opportunities, for Indigenous-owned businesses to work with the bank.

This initiative complements our *Responsible Procurement* program, which includes working directly with Indigenous-owned businesses.

Commonwealth Bank and business attendees at the launch





## Empowering our people

**When people are proud to represent the company they work for, they are energised to deliver the best outcomes for our customers.**

**Diversity of ideas, engagement with the workplace and access to the right tools are all prerequisites for ensuring our people thrive.**

### Listening to our people

It has been a difficult year for the Bank, and this has been reflected in a decrease in the overall engagement of our people. Our twice-yearly employee engagement survey, Your Voice, shows the overall employee engagement score has declined by 6%, to 72% for this year. Put simply, the pride that our people have in representing the Bank has declined.

We had strong employee participation of 89% in the latest survey which demonstrates a willingness to support the Bank's focus on values, accountability and service. The responses have provided us with areas for improvement. We need to balance performance and values when promoting people, and focus more on managing risk effectively. The survey also highlighted that our people feel our strengths lie in our approach to diversity and inclusion, and collaboration.

### Whistleblowing policy

The Bank's whistleblowing policy outlines the processes for investigating and resolving any misconduct issues that have been reported through our SpeakUP hotline or to senior management.

The SpeakUP hotline allows a whistleblower, including an employee, contractor, consultant or supplier, to anonymously raise a conduct issue. The policy outlines the actions we take to protect a whistleblower from any retaliation, including protection from termination of employment, harassment and discrimination.

This year we had 143 misconduct cases recorded under the SpeakUP program, of which 33 were whistleblower reports.

### Promoting health and wellbeing

The health, safety and wellbeing of our people is crucial for our success. Our strategy sets long-term objectives for managing and enhancing the wellbeing of our people.

We work to continuously improve the management of safety risks, and the effectiveness of controls, across key risk areas including mental health, customer aggression and work-related driving to provide a safe and healthy environment for all our people.

We have a personalised, mobile-enabled health and wellbeing portal for our people called Thrive. It provides access to support, resources and information for physical and psychological health and wellbeing.

We have introduced health and wellbeing hubs in seven of our office locations. In these hubs our people can speak to health experts and undertake a health assessment to better understand their own health.

Our Lost Time Injury Frequency Rate (LTIFR) improved, with 1.1 incidents per million hours worked.

### Workplace response to domestic and family violence

To help any of our people who are impacted by domestic and family violence, we provide leading workplace practices that include ten days of special leave, training for employees and managers, and a first-response guide for leaders to support their team.

Over the course of the year, the UN Women National Committee Australia collaborated with the Bank and other corporate partners to deliver the *Taking the first step: Workplace responses to domestic and family violence* report, which recognises the work that Australian businesses and unions are doing to address the impact of domestic violence.

### Continuous learning

It is crucial that our people are supported to do their jobs effectively. The Bank provides training and development to help them deliver better outcomes for our customers, manage risk (including anti-money laundering and Know Your Customer), be accountable, and develop their skills to suit new ways of working.

In addition to mandatory training modules, we also provide personal development opportunities.

To help prepare our workforce for the future of work, we actively work with universities and our people to create opportunities for employees to re-skill and make the most of new career opportunities. We also provide face-to-face training and mentoring to help our people succeed.

During the year, we provided an average of 34.1 hours of training for all employees.



### Total hours of training

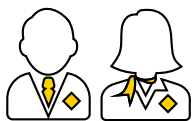
**1,847,000+**

### Average hours of training per employee

**34.1**

### Lost Time Injury Frequency Rate (LTIFR)

**1.1**



### Women in Manager roles and above<sup>(1)</sup>

**44.6%**

Women in Executive Manager roles and above<sup>(1)</sup> 37.6%

### Our people who identify with having a disability<sup>(2)</sup>

**11.9%**

### Our people who work flexibly<sup>(2)</sup>

**73.7%**

## Creating a diverse, inclusive culture

### A diverse workforce to serve a diverse community

We can best understand and respond to the needs of our customers when our people and leaders reflect the diversity of our customers, and when their diverse views are encouraged and valued.

This year, as part of the next phase, we launched our 2018+ Global Diversity and Inclusion Strategy, which details how we can achieve better outcomes for our customers, communities and people by building a more inclusive and diverse culture.

One of our goals is that our leaders should reflect the diversity of the community. So our strategy sets out targets for increasing the representation of women in leadership. We want to see women comprising 40% of Executive Manager and above roles, and 45% of Manager roles and above by 2020.

The Bank complied with the Australian Workplace Gender Equality Act 2012 by submitting annual compliance reports for 2018.<sup>(3)</sup>

Our Cultural Diversity Index (CDI) measures how culturally diverse we are as a business. This year's result shows that the Bank is more culturally diverse than the population of Australia. The results demonstrate that we are well positioned to understand and respond to the needs of our customers and communities. Details on the CDI can be found in the Annual Report.

Our employee-led networks play an important role in building an inclusive environment and developing relevant solutions for our people and our customers. Our networks include Women CAN (gender), Unity (sexual orientation and gender identity), Enable (accessibility and disability), Advantage (age and life stage), Mosaic (cultural diversity) and Yana Budjari (reconciliation actions within our Reconciliation Action Plan).

**Flexible work  
delivers better  
outcomes**



## Flexible working delivers better outcomes for all

Over the year, more than 3,500 people in Group Operations (GO) increased their uptake of the division's flexible working initiative, GO Flex.

Not only has there been a marked improvement in engagement and wellbeing – where participants have noted higher job satisfaction due to more time with family and friends – there has also been positive knock-on effect on overall efficiencies.

GO Flex is saving people up to two or three hours of travel time each day, reducing travel costs, boosting productivity, and in turn, providing a better service for our customers.

### Towards pay equity

We have a minimal pay gap between what we pay men and women in similar roles. Gender pay equity took a slight step backwards with a wider pay gap for Executive General Managers and General Managers. We review pay equity throughout the year and as part of the annual remuneration review process.

### Getting the job done

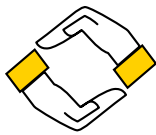
We encourage our people to balance work with other important responsibilities in their lives. Our iCAN Flex program supports our people to adopt flexible working practices, allowing them to adjust how, when and where they work, to deliver better outcomes for themselves, our customers and the business.

(1) Excludes ASB, Sovereign and AHL.

(2) Results from Your Voice survey and excludes Bankwest, ASB, Sovereign, IFS, AHL and CFSGAM.

(3) Excludes Bankwest and AHL, which submit separate compliance reports. International businesses are excluded.





## Doing business responsibly

### The Bank's corporate responsibility program plays a crucial part in its overall ability to operate responsibly and sustainably.

While the Bank has managed financial risks well, we have not performed as well in relation to non-financial risks. Non-financial risks cover culture, conduct, governance, compliance, operational risk management and accountability. This section details how we are addressing some of the non-financial risks in our business. More detail is provided in the Strategy, Governance and Remuneration chapters, and in the Chairman and CEO statements.

#### Government and regulators

The Bank has had extensive engagement with government departments, politicians and regulators during the 2018 financial year.

#### Royal Commission

Community expectations of banks have evolved over time, and the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry is playing an important role in demonstrating that we, and our industry, haven't always met those expectations.

The Royal Commission has highlighted some cases where we have made mistakes and our conduct has fallen below the standards expected of us by our customers, our staff, our regulators and the broader community. When mistakes happen, the community rightly expects us to work closely with affected customers, Government and regulators to address the issues so they do not reoccur. We know that in the past we have often been too slow to fix issues when they arise.

We welcome the work the Royal Commission is doing to hold us to account, and we are engaging actively, openly and transparently with them. When the Royal Commission asks questions or makes findings, we are listening closely and considering them seriously, and while this inquiry continues, we are getting on with the job of being a better bank. More information on the Royal Commission is outlined in the ***Becoming a better bank*** section on pages 10–11.

#### Open participation in inquiries

We have participated in more than 50 inquiries into the banking industry in recent years, and have implemented many of the recommendations for reform. We have been open, transparent and co-operative while also getting on with fixing what we know needs to be fixed. Our responses to the key inquiries and reports, and an overview of the work we have underway, are outlined in the ***Becoming a better bank*** section on pages 10–11.

#### Updating Australia's banking code of conduct

We have been active participants in the development by the Australian Banking Association (ABA) of a new Code of Banking Practice, which has been updated to better meet the needs of customers and expectations of the community. We agree to implement the new Code within 12 months of approval by the Australian Securities and Investments Commission (ASIC).

The new Code will deliver important changes, including:

- plain English contracts
- ending unsolicited offers of credit card increases
- mandated ability for customers to cancel a credit card online
- improved transparency around fees

The Bank has established a governance structure and executive oversight to ensure it meets the implementation deadlines for the revised Code and that it is on track to meet its commitment to implementing the new Code.

#### Banking Reform Program

The Australian banking industry is committed to an overall reform program that will improve consumer outcomes, increase transparency and accountability, and build trust.

As part of the Banking Reform Program, in April 2016 Commonwealth Bank began to design and implement a set of initiatives to address issues including employee remuneration, customer advocacy, industry background checks and protection of whistleblowers. The implementation of many initiatives is nearing completion, with some reforms (such as the new Code of Banking Practice) still being put into action.

The banking industry appointed Ian McPhee AO as an independent expert to oversee the implementation of the overall reform program. Mr McPhee's term as independent expert has concluded, but Commonwealth Bank continues to report on the progress of its initiatives through the ABA.

#### Political donations policy

Our policy explicitly precludes the Bank from making political donations. However, we pay to attend some political events attended by the business community. Payments associated with these events must be approved by the Bank's Government and Industry Affairs team. In addition to Federal and State Government requirements on political contribution disclosure, it is also our policy to publicly disclose all such political contributions.

#### Climate change

Climate change poses both a financial risk and opportunity for our business. We manage this risk by reducing our own environmental footprint, and by lending and investing responsibly. We support the transition to a low carbon economy through support of renewable energy and other low carbon projects. Our progress is covered in the ***Climate-related financial disclosures*** section of the Annual Report.

#### Considering ESG risks in lending

The Bank considers the credit risk of every lending decision it makes. We believe we should also consider the environmental, social and governance (ESG) risks and opportunities of our lending decisions, as these can impact the long-term viability of a customer or project.

We are a signatory to the Equator Principles and use the standards they set to assess, mitigate, manage and monitor ESG risk for project finance loans. Other business loans are assessed under our own ESG policies, systems and processes.

We have a compulsory ESG risk assessment process for all Institutional Bank loans, and for large loans in other business units. The process includes an initial ESG risk assessment based on country of operations and over 500 industry sectors. The client's capacity and strategy to manage risks is also considered. Additional ESG due diligence is required for transactions which have medium or high ESG risks identified in the initial assessment.

Loans with high ESG risk are escalated to senior management for further interrogation and decision. Outputs from ESG assessments are used as a key input into the credit decision process. Our client relationship, risk and product teams undertake annual refresher training on ESG risks. This year, more than 3,500 employees completed this training.

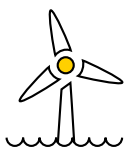
## Transition to a low carbon economy

While climate change is acknowledged as a business risk, it also provides opportunities for clients who develop low carbon solutions for energy production and transport. Our Climate Policy Position Statement includes our commitment to increase funding to low carbon projects to \$15 billion by 2025. This year we increased our lending to \$3.7 billion, including new solar farms in Queensland. During the year we led more than \$2 billion of green or sustainability notes.

## Responsible investing

We provide wealth management services in Australia and globally and integrate ESG risks and opportunities into our investment processes. This is governed by our Responsible Investing Framework, and is consistent with delivering long-term investment outcomes for our customers and clients. This year CommSec and CommPrivate developed new approaches to measuring ESG risks in their Approved Product Lists and Model Portfolios, and are now offering clients ethical investment solutions upon request.

Colonial First State (CFS) continues to progress its ESG integration, and reported to the Principles of Responsible Investment (PRI) and the Responsible Investment Association of Australasia (RIAA) for the first time. CFS also launched a new Alliance Partnership with Affirmative Investment Management – whose global green and impact bond fund generates positive environmental impacts and social benefits without compromising financial returns.



## Lending to renewable energy projects

**\$3.7 billion**

## Training on responsible lending, investment and procurement

**3,500+ employees**



## We support Australian solar power

Victoria's first large-scale solar farm entered commercial operation at Gannawarra in April 2018 just over one year after financing was provided. With almost 210,000 solar panels, the solar farm has capacity to supply power to more than 25,000 homes. The project is one of three solar farms that renewable energy companies Edify Energy and Wirsol Energy are developing across the country through financing we committed in March 2017. In August 2017, we extended our partnership with Edify Energy through a syndicated debt facility, to finance an additional two solar farms in Queensland. Together, these five solar farms will generate enough electricity to power approximately 160,000 homes.

For more than a decade the Bank's funds management arm, Colonial First State Global Asset Management (CFSGAM), has progressively evolved its approach to responsible investment and stewardship, and is now considered a global leader in the area. CFSGAM maintains its strong responsible investment through initiatives that include becoming a signatory to the Climate Action 100+ initiative, which brings together investors from around the world to encourage companies to reduce emissions in line with the Paris Climate Change Agreement. It has also launched a Sustainable Infrastructure Fund, which targets investment in listed infrastructure companies that are contributing to sustainable development.

## Managing our operations efficiently

The Bank continues to build on its track record of reducing energy use, and subsequent emissions, in its branches and offices. Since 2009, we have reduced our direct emissions by 52.5%. During that time our emissions intensity for domestic operations has reduced from 5.0tCO<sub>2</sub>-e per FTE to 2.3tCO<sub>2</sub>-e per FTE. We have set a target to reduce these emissions to 2.0tCO<sub>2</sub>-e by 2020. We have also committed to sourcing renewable energy for 25% of our power needs by 2020.

## Certified branch and office design

We were the first Australian financial institution to achieve 5-Star Green Star certification for our retail design standards and we have completed certification for 15 Commonwealth Bank and Bankwest branches. More than 80% of our commercial office space is currently rated by the National Australian Built Environment Rating System (NABERS) for its environmental performance, which considers energy efficiency and water usage.

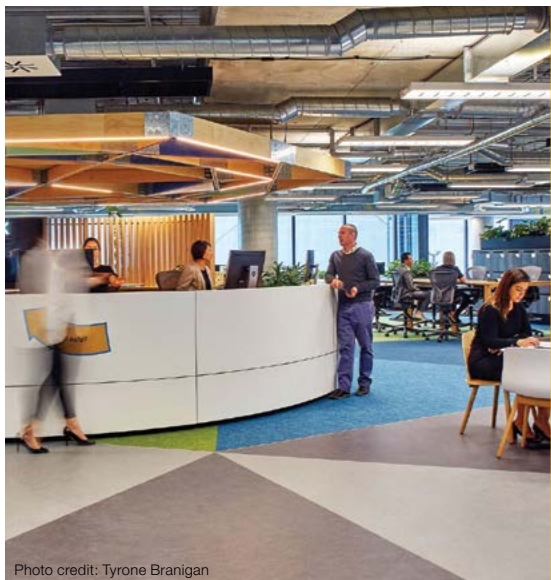


Photo credit: Tyrone Branigan

## Commonwealth Bank Square

Our commitment to delivering globally leading, sustainable workplaces is evident in our new workplace Commonwealth Bank Square, which is part of the wider Darling Harbour precinct. This year we moved 3,000 Sydney employees into this workplace which meets the highest sustainability ratings of 6-Star Green Star for both the building and its interiors. We expect this building to use 70% less energy than the average Australian office building, thanks to initiatives in design, construction and operation.

During the design and construction phase, we diverted more than 90% of construction waste from landfill, sourced timber from certified sustainable forestry, installed rooftop solar power generation, and maximised natural light and people connectivity through a central atrium. We also use high levels of fresh air, numerous plants and natural materials to improve indoor air quality for our employees, harvest rainwater for internal use and separate waste streams at the source.

This year, we were named the CitySwitch National Signatory of the Year in recognition of our efforts to improve office tenancy energy and waste efficiency. The CitySwitch program is led by state governments to support office tenants to improve efficiency.

### A carbon positive road map

We are a Carbon Positive Partner with the Green Building Council of Australia (GBCA). We supported the release of A Carbon Positive Roadmap for the built environment, which includes a proposal that new and existing Green Star-rated buildings will have no greenhouse gas emissions by 2030. It also promotes policies to retrofit existing buildings, improve new buildings, increase the supply of renewable energy, and phase out fossil fuel use.

### Plugging into solar energy

We continue to invest in onsite renewable energy generation across our branch network and currently have a capacity of 750 kilowatts (kW) installed at 47 Australian sites. Our real-time public portal ([cbasolarpower.com.au](http://cbasolarpower.com.au)) tracks the energy production across our network.

The effectiveness of our network is illustrated at our Margaret River branch, where the combination of onsite solar energy generation and in-branch energy efficiency has resulted in an 80% reduction in energy use and emissions.

### Sourcing responsibly

We spend more than \$4.8 billion a year on products and services from our suppliers.

Our supplier governance processes, supplier engagement, and our supplier code of conduct all help us work with suppliers to minimise ESG risks such as human rights and climate change in our supply chain. This year we rolled out our responsible procurement training for our procurement staff to provide awareness of how these risks can be managed and reduced. More than 50 procurement staff have already completed this training.

Supplier diversity is a key element of our procurement strategy and we continue to strengthen our partnership with Supply Nation, an organisation which promotes and facilitates procurement from Indigenous-owned businesses. More than 40 procurement employees received training by BlackCard this year. BlackCard provides cultural awareness training to people working with Aboriginal communities to help people build and maintain respectful relationships with one another. This work has led to supplier partnerships with 18 Indigenous-owned businesses, with a total spend of \$2.23 million.

We have commenced a program to engage with 25 of our largest suppliers to explore opportunities for greater participation by Indigenous businesses in our supply chains.

### Respecting human rights

As stated in our Human Rights Position Statement, we are committed to respecting human rights across all of our operations, including: lending, investing, operations and supply chains.

To date, we have published two Slavery and Human Trafficking statements, in compliance with the United Kingdom's Modern Slavery Act 2015. We have participated in government consultations on the development of an Australian Modern Slavery Act, which we anticipate will be passed as legislation over the next 12 months.

In light of the evolving legislation, we have updated training on ESG risk fundamentals for lending and the new responsible procurement training includes information on the risk of modern slavery and how to mitigate that risk.

We have also looked to implement practical, on-the-ground initiatives. As an example, our business units operating in Hong Kong are partnering with the Mekong Club, a not-for-profit that is working to engage, inspire and support the private sector to lead the fight against slavery. The Mekong Club has built our staff's knowledge of the issue of modern slavery.

### Want to know more?

Our programs drive positive change through education, communities and good business practices, and more information is available at [commbank.com.au/about-us/opportunity-initiatives](http://commbank.com.au/about-us/opportunity-initiatives).



# Our Board



**Catherine Livingstone AO**  
Chairman

Resident of NSW. Age 62.

Catherine has been a 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, and has contributed to the work of the Innovation and Productivity Council for the NSW Government. She is a former President of the Business Council of Australia. In 2008, Catherine was awarded Officer of the Order of Australia.

**Committees:** Nominations Committee (Chairman), Risk Committee, Audit Committee and Remuneration Committee.

**Other Directorships and interests:** WorleyParsons Limited, Saluda Medical Pty Ltd, University of Technology Sydney (Chancellor) and The Australian Ballet.

**Qualifications:** BA (Accounting) (Hons), FCA, FTSE, FAICD, FAA.



**Matt Comyn**  
Managing Director and Chief Executive Officer

Resident of NSW. Age 42.

Matt was appointed Managing Director and Chief Executive Officer on 9 April 2018. He has nearly 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. He is a former Non-Executive Director of AHL Holdings Pty Ltd (Aussie Home Loans).

**Other Directorships and interests:** Unicef Australia and MasterCard's Global Advisory Board (Member).

**Qualifications:** BAv (UNSW), MCom (UNSW), EMBA (USyd), GMP (HBS).



**Shirish Apte**  
Non-Executive Director

Resident of Singapore.  
Age 65.

Shirish has been a 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, Chief Executive Officer of Central & Eastern Europe, Middle East & Africa, and Country Manager and Deputy President of Citi Handlowy, where he is now Vice Chairman of the Supervisory Board. Shirish is a former Director of Crompton Greaves Ltd.

**Committees:** Risk Committee (Chairman) and Audit Committee.

**Other Directorships and interests:** 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) and Supervisory Board of Citi Handlowy (Vice Chairman).

**Qualifications:** CA, BCom (Calc), MBA (LondBus).



**Sir David Higgins**  
Non-Executive Director

Resident of UK. Age 63.

Sir David has been a 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.

**Committees:** Remuneration Committee (Chairman) and Risk Committee.

**Other Directorships and interests:** Gatwick Airport Ltd (Chairman).

**Qualifications:** BE (Civil) (USyd), Diploma (Securities Institute of Australia).



**Brian Long**  
Non-Executive Director

Resident of NSW. Age 72.

Brian has been a Director since September 2010. He retired as a partner of Ernst & Young on 30 June 2010. Until that time he was Chairman of both the Ernst & Young Global Advisory Council and the Oceania Area Advisory Council. Brian was one of the firm's most experienced audit partners, with over 30 years' experience serving as audit signing partner for major Australian public companies including those in the financial services, property, insurance and media sectors. Brian will retire from the Board at the end of the 2018 annual general meeting.

**Committees:** Audit Committee (Chairman), Risk Committee and Nominations Committee.

**Other Directorships and interests:** Brambles Ltd, OneMarket Limited, Cantarella Bros Pty Ltd, University of NSW (Council Member) and Centennial Park and Moore Park Trust (Trustee).

**Qualifications:** FCA.



**Andrew Mohl**  
Non-Executive Director  
Resident of NSW. Age 62.

Andrew has been a Director since July 2008. He has over 40 years' financial services experience. He was Managing Director and Chief Executive Officer of AMP Ltd from October 2002 until December 2007. Andrew's previous roles at AMP included Managing Director, AMP Financial Services and Managing Director and Chief Investment Officer, AMP Asset Management. Previously, he was the Group Chief Economist, Chief Manager, Retail Banking and Managing Director, ANZ Funds Management at Australia and New Zealand Banking Group Ltd. Andrew commenced his career at the Reserve Bank of Australia where his roles included Senior Economist and Deputy Head of Research. Andrew will retire from the Board at the end of the 2018 annual general meeting.

**Committees:** Risk Committee and Remuneration Committee.

**Other Directorships and interests:** ASIC External Advisory Panel (Member) and CEDA Board of Governors (Member).

**Qualifications:** BEc (Hons) (Monash).



**Mary Padbury**  
Non-Executive Director  
Resident of Victoria. Age 59.

Mary has been a Director since June 2016. She is a pre-eminent intellectual property lawyer with over 30 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.

**Committees:** Remuneration Committee and Nominations Committee.

**Other Directorships and interests:** Trans-Tasman IP Attorneys Board (Chairman), The Macfarlane Burnet Institute for Medical Research and Public Health Ltd, Chief Executive Women (Member) and Victorian Legal Admissions Committee (Member).

**Qualifications:** BA LLB (Hons) (Melb), GAICD.



**Wendy Stops**  
Non-Executive Director  
Resident of Victoria. Age 57.

Wendy has been a 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.

**Committees:** Audit Committee and Remuneration Committee.

**Other Directorships and interests:** Altium Ltd, Fitted For Work Ltd, University of Melbourne (Council Member) and Chief Executive Women (Member).

**Qualifications:** BAppSc (Information Technology), GAICD.



**Anne Templeman-Jones**  
Non-Executive Director  
Resident of NSW. Age 57.

Anne has been a 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 and risk committees on current and past boards.

**Committee:** Audit Committee.

**Other Directorships and interests:** GUD Holdings Ltd, The Citadel Group Ltd and WorleyParsons Ltd.

**Qualifications:** BCom (UWA), EMBA (AGSM), MRM (UNSW), CA, FAICD.



Rob has been a 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.

**Committees:** Risk Committee and Nominations Committee.

**Other Directorships and interests:** NSW Treasury Corporation.

**Qualifications:** BCom (UNSW), Grad Dip Banking, Grad Dip Fin, AMP (HBS), SF Fin, FAICD.



# Our Executive Leadership Team



**Adam Bennett**  
*Group Executive,  
Business and Private Banking*

Adam was appointed Group Executive, Business and Private Banking in January 2015. He has responsibility for Business Banking, Private Banking, CommSec and Bankwest. He joined the Group in 2004 and was the Chief Information Officer for the Retail Banking and Business Banking divisions during the Core Banking Modernisation project. He joined the Business and Private Banking Leadership Team in 2009, serving as Executive General Manager of Local Business Banking from 2012 to 2014.

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



**David Cohen<sup>(1)</sup>**  
*Group Chief Risk Officer<sup>(2)</sup>*

David commenced as Group Chief Risk Officer in July 2016. In this role he provides leadership to ensure effective risk management and risk governance across the Group. David joined the Group in June 2008 as Group General Counsel and took on the role of leading Group Corporate Affairs in early 2012 with responsibility for advising the CEO and Board on legal matters and leading the Group's legal team, and for the Group's external and internal affairs, communications, sustainability and corporate governance.

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



**George Confos**  
*Acting Group Executive,  
Institutional Banking and Markets<sup>(3)</sup>*

George was appointed Acting Group Executive, Institutional Banking and Markets in May 2018. The Institutional Banking and Markets division is responsible for global relationships with corporate, government and institutional clients, and provides a full range of financial services solutions across financial and capital markets, transaction banking, working capital and risk management.

George joined the Commonwealth Bank in 1997 and has held a variety of senior leadership roles in business and institutional banking, including Executive General Manager of Business & Corporate Finance and Executive General Manager of Global Markets. George is an Associate Member of the Chartered Accountants Australia and New Zealand and a Graduate of the Australian Institute of Company Directors.



**Alan Docherty**  
*Acting Group Executive,  
Financial Services and  
Chief Financial Officer*

Alan was appointed Acting Group Executive, Financial Services and Chief Financial Officer in May 2018. He is responsible for the overall financial functions of the Group. Alan joined Commonwealth Bank in 2003 and has held a variety of senior finance roles in Group Finance, Group Treasury and Business and Private Banking before serving as Chief Financial Officer of the Institutional Banking and Markets division.

Prior to joining the Group, Alan worked in PwC's Financial Services practice in the United Kingdom, and with Arthur Andersen and Ernst & Young in Australia. Alan is a Member of the Institute of Chartered Accountants of Scotland.



**Coenraad (Coen) Jonker**  
*Group Executive, International  
Financial Services*

Coen was appointed Group Executive, International Financial Services in July 2017. He is responsible for the Group's emerging markets retail, SME banking and life insurance businesses outside Australia and New Zealand. Previously, Coen was the Executive General Manager responsible for the digital banking strategy across South Africa, Indonesia, India, Vietnam, China and Hong Kong.

Prior to joining the Group, Coen was the co-founder and CEO of TYME (Take Your Money Everywhere) – a South African fintech start-up that Commonwealth Bank acquired in 2015. He has served on the Executive Committee of Nedcor Investment Bank, and as Director of Inclusive Banking at Standard Bank South Africa. Coen has also acted as advisor to the Gates Foundation and lectured in Corporate Governance & Ethics and Emerging Markets at the Gordon Institution of Business Science.

(1) On 5 November 2018, David Cohen will assume the role of Deputy Chief Executive Officer.

(2) On 5 November 2018, Nigel Williams will assume the role of Group Chief Risk Officer.

(3) On 1 August 2018, Andrew Hinchliff assumed the role of Group Executive, Institutional Banking and Markets.



**Melanie Laing<sup>(1)</sup>**  
Group Executive,  
Human Resources<sup>(2)</sup>

Melanie joined Commonwealth Bank in February 2012 as Group Executive, Human Resources with responsibility for all of the Group's HR functions. She has a strong and diverse background leading HR functions for large companies, and has headed global and regional HR functions for several multinational and ASX listed organisations.

Prior to joining the Group, Melanie was Executive General Manager, People & Culture at Origin Energy and held executive HR leadership roles with Unisys Asia Pacific, Vodafone Asia Pacific and the General Re Corporation. She is a Fellow of the Australian Institute of Company Directors and the Australian Human Resources Institute, and a member of Chief Executive Women.



**Anna Lenahan**  
Group General Counsel and  
Group Executive, Group  
Corporate Affairs

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

Prior to joining the Group, Anna was the Chief Risk and Legal Officer at Suncorp Group, having joined Suncorp in 2011 as Group General Counsel and Company Secretary. Previously she was a Corporate Partner at Allens Arthur Robinson (now Allens Linklaters) and a crown prosecutor with the Department of Public Prosecutions in Perth. Anna is a member of the GC100 (Australia) and Chief Executive Women.



**Paul Newham**  
Acting Group Executive,  
Enterprise Services and  
Chief Information Officer<sup>(3)</sup>

Paul is the Acting Group Executive, Enterprise Services and Chief Information Officer. Appointed to this role in April 2018, he leads the Enterprise Services division which is responsible for all banking operations and technology across the organisation.

Paul joined Commonwealth Bank in 2012 as Executive General Manager of Group Operations where he was accountable for all banking operations across Commonwealth Bank. Paul has more than 30 years' experience in banking and is an operations and technology professional, having held senior executive roles at some of the most well-known banks in Australia.



**Vittoria Shortt**  
Chief Executive and  
Managing Director, ASB

Vittoria was appointed Chief Executive and Managing Director of ASB, the Group's New Zealand subsidiary in February 2018.

Vittoria joined the Commonwealth Bank in 2002 and gained experience in leadership roles across the retail banking businesses of Commonwealth Bank and Bankwest, including customer-facing, operations and strategy roles such as the Commonwealth Bank's Chief Marketing Officer and Chief Executive Retail Bankwest. In 2015, Vittoria was appointed Group Executive, Marketing and Strategy. In this role Vittoria was responsible for the Group's Corporate Strategy, Mergers and Acquisitions, Advanced Analytics, Customer Advocacy and Marketing. Vittoria's career initially began in New Zealand, working in Corporate Finance and Mergers and Acquisitions with Deloitte and Carter Holt Harvey.



**Angus Sullivan**  
Acting Group Executive,  
Retail Banking Services<sup>(4)</sup>

Angus was appointed Acting Group Executive, Retail Banking Services in April 2018. He is responsible for the Group's retail banking operations which serves a customer base of over 10 million customers. Angus joined Commonwealth Bank in 2012 as Executive General Manager of Group Strategy. In 2013, Angus moved across to Retail Banking Services where he held a number of senior roles including Executive General Manager of Credit Cards & Payments, Executive General Manager of Retail Products and Executive General Manager of Retail Sales & Service with responsibility for leading the Group's branch network.

Prior to joining Commonwealth Bank, Angus was a Partner at McKinsey & Co. in New York, specialising in retail and commercial banking, wealth management, payments and general insurance.



**Michael Venter**  
Chief Operating Officer,  
Wealth Management

Michael was appointed Chief Operating Officer, Wealth Management in January 2018. He is responsible for Colonial First State, Colonial First State Global Asset Management, Wealth Management Advice and CommInsure. He is also a Director of a number of Group subsidiaries, including the CommInsure entities and a number of the Group's international investments.

Michael joined the Group in 2004 and has held a number of positions including Chief Financial Officer Wealth Management, Chief Financial Officer International Financial Services, and Group Deputy Chief Financial Officer. He previously held positions at AMP and Nedcor Bank. Michael is a Member of Chartered Accountants Australia & New Zealand.

(1) On 31 July 2018, Melanie Laing retired.

(2) On 1 August 2018, Sian Lewis assumed the role of Group Executive, Human Resources.

(3) On 1 October 2018, Pascal Boillat will assume the role of Group Executive, Enterprise Services and Chief Information Officer.

(4) On 1 July 2018, Angus Sullivan assumed the role of Group Executive, Retail Banking Services.

# Performance overview





## Group performance overview<sup>(1)</sup>

The key performance indicators<sup>(2)</sup> used to assess shareholder return, profitability and balance sheet strength are outlined below.

We report Group profit on a statutory and cash basis.

▼ 4.8%

### Cash net profit after tax (NPAT)

(\$M)

**9,233**

FY18	9,233
FY17	9,696

▼ 4.0%

### Statutory NPAT

(\$M)

**9,375**

FY18	9,375
FY17	9,766

▲ 2.6%

### Total operating income cash basis

(\$M)

**25,907**

FY18	25,907
FY17	25,257

▲ 9.2%

### Operating expense cash basis

(\$M)

**11,599**

FY18	11,599
FY17	10,622

▲ 3.8%

### Tax expense cash basis

(\$M)

**3,994**

FY18	3,994
FY17	3,847

▼ 6.2%

### Earnings per share cash basis

(cents)

**528.6**

FY18	528.6
FY17	563.4

▲ 2 cents

### Dividend per share

(cents)

**431**

FY18	431
FY17	429

▲ 540bpts

### Dividend payout ratio cash basis

(%)

**80.4**

FY18	80.4
FY17	75.0

▼ 160bpts

### Return on equity cash basis

(%)

**14.1**

FY18	14.1
FY17	15.7

Flat bpts

### Capital ratio CET1 (APRA)

(%)

**10.1**

FY18	10.1
FY17	10.1

(1) Information has been presented on a continuing operations basis. Discontinued operations are detailed on page 59.

(2) Detailed in glossary on page 292 of the Annual Report.



## Group performance

### Group profit



Group profit represents the operating income earned less operating expenses, impairment costs and tax paid. It is also called net profit after tax (NPAT). We report NPAT on a statutory and cash basis. The statutory basis is prepared and audited in accordance with the Corporations Act 2001 and Australian Accounting Standards which comply with International Accounting Standards (IFRS). The cash basis is used by management to present a clear view of the underlying operating result, excluding certain items that introduce volatility and/or one-off distortions of the Group's current period performance. The difference between each basis is set out on page 60.

Group profit included a number of one-off items:

- AUSTRAC civil penalty of \$700m (non-tax deductible);
- one-off regulatory costs totalling \$155 million associated with the Royal Commission, AUSTRAC proceedings and the APRA Prudential Inquiry; and
- the acquisition of Aussie Home Loans and eChoice resulting in consolidation of \$237 million of income and \$197 million of expenses.

▼ 4.8%

#### Cash NPAT

(\$M)

FY18	9,233
------	-------

▼ 4.0%

#### Statutory NPAT

(\$M)

FY18	9,375
------	-------

### 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 2018 to \$4.31, an increase of two cents on the prior year. The dividend payout ratio (cash basis) was 80.4%. Excluding the AUSTRAC civil penalty, the dividend payout ratio was 74.9%.

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

#### Dividend reinvestment plan (DRP)

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

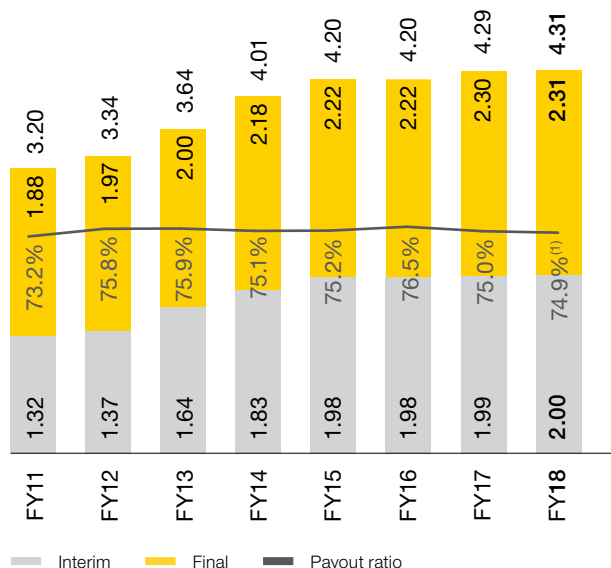
#### Dividend policy

The Bank will seek to:

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

#### Full-year dividend history

(\$)



(1) The FY18 full year payout ratio has been presented excluding the impact of the AUSTRAC civil penalty. Including the AUSTRAC civil penalty the payout ratio was 80.4%.

## Total operating income



Total operating income is made up of net interest income, other banking income, funds management income and insurance income.

Net interest margin (NIM) largely represents the percentage difference between the interest rates charged to borrowers and the interest rates paid to depositors.

The underlying performance of the business remained strong, with income growth of 2.6%.

- Net interest income increased as a result of repricing interest-only and investor home loans in order to manage regulatory requirements, selective growth in lending and an increased proportion of low cost funding via transaction deposits; partly offset by the impact of the major bank levy.
- Other banking income decreased as a result of the removal of ATM fees, the decrease in commission income on credit and debit card transactions and weaker trading performance.

▲ 2.6%

**Total operating income** cash basis  
(\$M)

**25,907**

**FY18 25,907**

**FY17 25,257**

Full year ended <sup>(1)</sup>	30 Jun 18 \$M	30 Jun 17 \$M	Jun 18 vs Jun 17 %
Net interest income	18,336	17,543	4.5
Other banking income	4,950	5,140	(3.7)
Funds management income	2,091	1,913	9.3
Insurance income	293	223	31.4
<b>Total operating income excluding one-off items cash basis</b>	<b>25,670</b>	<b>24,819</b>	<b>3.4</b>
One-off items <sup>(2)</sup>	237	438	(45.9)
<b>Total operating income cash basis</b>	<b>25,907</b>	<b>25,257</b>	<b>2.6</b>
<b>Net interest margin (%)</b>	<b>2.15</b>	<b>2.10</b>	<b>5 bpts</b>

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

(2) For explanation of one-off items refer to page 59.

## Operating expenses



Operating expenses include the salaries and other benefits paid to staff, the cost of IT systems and property costs. The remaining expenses have been included in other expenses, with further details provided in Note 2.4 of the Financial Statements.

Operating expenses to total operating income is an efficiency measure used to determine the cost to the bank of earning income.

Operating expenses increased 9.2% due to the AUSTRAC civil penalty and one-off regulatory costs. Excluding one-off items outlined on page 59, operating expenses increased 3.1% during the year. The key drivers of the increase were:

- Staff expenses** increased 0.5% driven by wage inflation, partly offset by lower employee incentives.
- Occupancy and equipment expenses** increased, primarily due to the relocation of a number of offices to a single location, annual rental reviews and depreciation.
- Information technology services expenses** increased due to higher investment spend, particularly on risk and compliance based projects, amortisation and the write-off of software, and increased software licensing costs.
- Other expenses** increased due to an elevated investment in financial crime compliance, partly offset by lower Advice Review program costs, lower non-lending losses and lower discretionary spend.

▲ 9.2%

**Operating expense** cash basis  
(\$M)

**11,599**

**FY18 11,599**

**FY17 10,622**

Full year ended <sup>(1)</sup>	30 Jun 18 \$M	30 Jun 17 \$M	Jun 18 vs Jun 17 %
Staff expenses	5,895	5,865	0.5
Occupancy and equipment expenses	1,165	1,110	5.0
Information technology services expenses	1,787	1,578	13.2
Other expenses	1,700	1,676	1.4
<b>Operating expenses excluding one-off items cash basis</b>	<b>10,547</b>	<b>10,229</b>	<b>3.1</b>
One-off items <sup>(2)</sup>	1,052	393	large
<b>Operating expenses cash basis</b>	<b>11,599</b>	<b>10,622</b>	<b>9.2</b>
Operating expenses to total operating income (%)	44.8	42.1	270 bpts
Number of full-time equivalent staff (FTE)	43,771	43,620	0.3

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

(2) For explanation of one-off items refer to page 59.

## Loan impairment expense



Loan impairment expense represents an estimate of the losses incurred during the year due to bad debts, net of any amounts recovered.

Loan impairment expense decreased 1.5% during the year. Improvements in the performance of the Bankwest home loan portfolio across mining and regional areas were partly offset by an increase in collective provisions against business loans and an increase in individual provisions against a loan to a large corporate client within Institutional Banking and Markets.

▼ 1.5%

**Loan impairment expense cash basis**  
(\$M)

**1,079**

<b>FY18</b>	<b>1,079</b>
FY17	1,095

## Impairment provisions and credit quality



Provisions for impairment represent the Bank's estimate of the total amount of bad debts that could emerge within the existing loan portfolio at balance date. Provisions include collectively assessed provisions that are applied against portfolios of loans and individually assessed provisions applied against specific customer loans. The Group also applies provision overlays to take into account changes in the wider economic and regulatory environment.

Impaired assets are loans that are not meeting their repayment obligations. They are made up of 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.

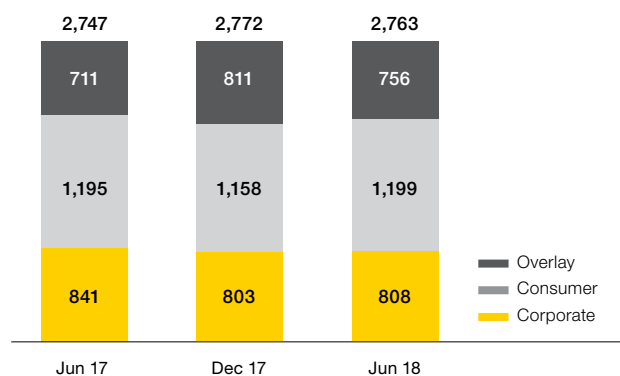
Full year ended	30 Jun 18 \$M	30 Jun 17 \$M	Jun 18 vs Jun 17 %
Total provisions for impairment losses	3,633	3,727	(2.5)
Gross impaired assets (\$M)	3,179	3,187	(0.3)

Total provisions for impairment losses decreased 2.5% during the year and is shown graphically on page 52. Movements are made up of:

- a 15% reduction in individually assessed provisions due to a small number of large write-offs and recoveries impacting institutional and business customers; and
- a 4% reduction in corporate collective provisions due to reductions in exposures, improvements in the quality of the Bankwest business portfolio, and improvements in the New Zealand business portfolio; partly offset by
- a 6% increase in management overlays, principally in Retail Banking Services, due to the anticipated adverse impact of changing personal bankruptcy legislation.

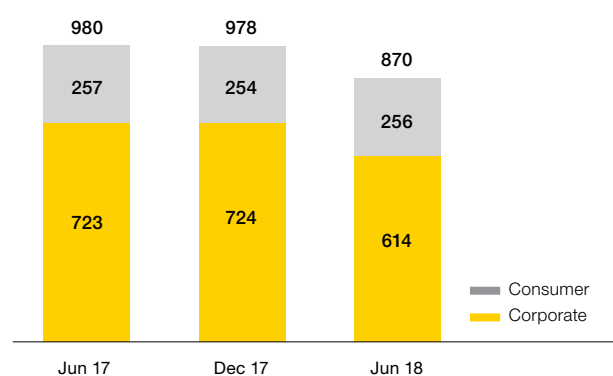
### Collective provisions

(\$M)



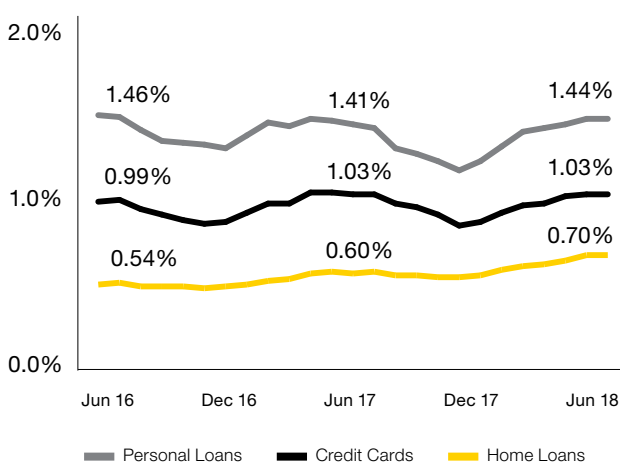
### Individual provisions

(\$M)



### 90 days arrears

(%)



90 days arrears are loans where minimum repayments are 90 days late.

Domestic home loan arrears were elevated on the prior year as some households experienced difficulties with rising essential costs and limited income growth leading to some pockets of stress.

## Taxation expense



Corporate tax expense represents income taxes paid to taxation authorities in operating jurisdictions.

Corporate tax expense for the year increased \$147 million or 3.8% on the prior year, a 30.2% effective tax rate.

The increase in the effective tax rate during the period is primarily due to the \$700 million civil penalty in the AUSTAC proceedings being non-deductible for tax purposes.

Adjusting for the AUSTAC civil penalty the tax rate would be 28.6%.

CBA was one of Australia's largest tax payers in 2018.

▲ 3.8%

### Taxation expense cash basis

(\$M)

**3,994**

FY18	3,994
FY17	3,847



## Divisional performance analysis<sup>(1)</sup>

### Retail Banking Services

#### Cash NPAT

**\$5,193m**

Up 5.3% on 2017

#### Proportion of Group profit

**56.2%**

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

#### Performance at a glance

▲ 8bpts

#### Net interest margin (NIM)

**2.98%**

FY18	2.98%
FY17	2.90%

NIM improved as a result of repricing interest-only and investor home loans to manage regulatory requirements, as well as growth in transaction deposits, partly offset by the introduction of the major bank levy.

▼ 50bpts

#### Operating expense to total banking income

**30.5%**

FY18	30.5%
FY17	31.0%

The ratio decreased (improved) due to growth in net interest income linked to growing lending margins and balances and transaction deposits, partly offset by increases in operating expenses from continued investment in technology, risk and compliance.

### Business and Private Banking

#### Cash NPAT

**\$1,888m**

Up 4.4% on 2017

#### Proportion of Group profit

**20.4%**

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. We also provide equities trading and margin lending services through our CommSec business.

#### Performance at a glance

▲ 7bpts

#### Net interest margin (NIM)

**3.05%**

FY18	3.05%
FY17	2.98%

NIM improved as a result of repricing interest-only and investor home loans to manage regulatory requirements, as well as growth in transaction deposits, partly offset by the introduction of the major bank levy and the run-off of higher margin residential property development lending.

▼ 120bpts

#### Operating expense to total banking income

**36.1%**

FY18	36.1%
FY17	37.3%

The ratio decreased (improved) due to higher total banking income, partially offset by the increase in operating expenses with higher spend on product development initiatives.

(1) Divisional metrics are reported on a cash basis for continuing operations. Refer page 59.

## Institutional Banking and Markets

### Cash NPAT

**\$1,121m**

Down 14.5% on 2017

### Proportion of Group profit

**12.1%**

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

### Performance at a glance

▼ 6bpts

#### Net interest margin (NIM)

**1.04%**

FY18	1.04%
FY17	1.10%

The reduction in NIM was primarily driven by the major bank levy.

▲ 500bpts

#### Operating expense to total banking income

**42.7%**

FY18	42.7%
FY17	37.7%

The ratio increased (deteriorated) primarily due to lower Markets revenue, the introduction of the major bank levy and higher operating expenses due to higher regulatory risk and compliance spend.

## New Zealand

### Cash NPAT

**\$975m/NZ\$1,072m**

Up 12.2% on 2017

### Proportion of Group profit

**10.6%**

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

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

### Performance at a glance

▲ 7bpts

#### Net interest margin (NIM)

**2.24%**

FY18	2.24%
FY17	2.17%

NIM improved due to an increase in fixed rate home loan margins.

▼ 140bpts

#### Operating expense to total banking income

**36.0%**

FY18	36.0%
FY17	37.4%

The ratio decreased (improved) due to increased interest, fee and funds management income on growing lending and funds balances.

## Bankwest

### Cash NPAT

**\$681m**

Up 18.2% on 2017

### Proportion of Group profit

**7.4%**

Bankwest provides simple and affordable banking products to more than 1 million retail, business and rural customers across Australia. Customers are assisted to manage their everyday banking needs, buy a home, build and grow businesses and invest for the future. We also support our customers through a network of close to 100 branches and over 300 ATMs, easy-to-use digital and mobile services and an Australia-based 24/7 customer contact centre.

### Performance at a glance

▲ 3bpts

#### Net interest margin (NIM)

**2.10%**

FY18	2.10%
FY17	2.07%

NIM increased as a result of repricing interest-only and investor home loans to manage regulatory requirements and increased transaction deposit balances.

▼ 290bpts

#### Operating expense to total banking income

**42.1%**

FY18	42.1%
FY17	45.0%

The ratio decreased (improved) due to increased interest and fee income and lower operating expenses due to one-off Bankwest east coast business integration costs in financial year 2017.

## Wealth Management

### Cash NPAT

**\$563m**

Up 33.4% on 2017

### Proportion of Group profit

**6.1%**

Wealth Management provides superannuation, investment, retirement and insurance products, and services including financial planning which help to improve the financial wellbeing of more than 2.1 million customers. CFS Global Asset Management manages investments on behalf of institutional investors and pension funds, wholesale distributors and platforms, financial advisers and their clients. During 2017 the Bank announced the sale of its life insurance business, the demerger of its wealth management business and strategic review of its general insurance business.

### Performance at a glance

▼ 570bpts

#### Operating expense to total operating income

**66.6%**

FY18	66.6%
FY17	72.3%

The reduction was driven by increased funds management income on growing funds balances, a rise in general insurance income due to lower weather event claims and a reduction in operating expenses due to the wind down in advice remediation costs.

▲ 5%

#### Assets Under Management – average (AUM)

**\$216b**

FY18	\$216b
FY17	\$206b

Growth in average AUM was driven by strong investment markets offset by net outflows in the global equities and fixed income funds.

## International Financial Services (IFS)

### Cash NPAT

**\$178m**

Up 32.8% on 2017

### Proportion of Group profit

**1.9%**

International Financial Services (IFS) incorporates the Asian retail and business banking operations, investments in China and Vietnam and the life insurance operations in Indonesia.

### Performance at a glance

▼ large

### Operating expense to total operating income

**46.7%**

**FY18** **46.7%**

**FY17** **57.9%**

The improvement was driven by reduced staff costs due to business divestments and increasing income from investments in China.



## 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. Approximately 68% 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.

	As at		
	30 Jun 18 \$M	30 Jun 17 \$M	Jun 18 vs Jun 17 %
<b>Total Group assets and liabilities</b>			
<b>Interest earning assets</b>			
Home loans <sup>(1)</sup>	501,665	485,857	3.3
Consumer finance	23,317	23,577	(1.1)
Business and corporate loans	222,367	226,484	(1.8)
<b>Loans, bills discounted and other receivables <sup>(2)</sup></b>	747,349	735,918	1.6
Non-lending interest earning assets	150,306	163,665	(8.2)
<b>Total interest earning assets</b>	897,655	899,583	(0.2)
Other assets <sup>(2) (3) (4)</sup>	61,856	76,735	(19.4)
Assets held for sale <sup>(3)</sup>	15,654	–	n/a
<b>Total assets</b>	975,165	976,318	(0.1)
<b>Interest bearing liabilities</b>			
Transaction deposits <sup>(5)</sup>	109,181	98,884	10.4
Savings deposits <sup>(5)</sup>	187,587	191,245	(1.9)
Investment deposits	216,852	220,530	(1.7)
Other demand deposits	58,057	70,313	(17.4)
<b>Total interest bearing deposits</b>	571,677	580,972	(1.6)
Debt issues	172,673	168,034	2.8
Other interest bearing liabilities	54,124	57,531	(5.9)
<b>Total interest bearing liabilities</b>	798,474	806,537	(1.0)
Non-interest bearing transaction deposits	48,831	44,032	10.9
Other non-interest bearing liabilities <sup>(3)</sup>	45,100	62,089	(27.4)
Liabilities held for sale <sup>(3)</sup>	14,900	–	n/a
<b>Total liabilities</b>	907,305	912,658	(0.6)

(1) Gross of mortgage offset balances.

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

(3) For 30 June 2018, assets and liabilities of businesses held for sale have been reclassified and separately disclosed in the balance sheet.

(4) Comparatives have been restated following a change in accounting policy to recognise deferred tax on brand names acquired by the Group. Further details on the change are provided in Note 1.1 of the Financial Statements.

(5) Includes mortgage offset balances.

Total assets were \$975 billion, which was flat relative to the prior year, reflecting lower liquid assets and institutional lending, offset by increased home and business lending. Total liabilities were \$907 billion, a decrease of 0.6% on the prior year, reflecting lower other demand deposits and derivative liability balances, partly offset by increased transaction deposits and debt issues.

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

Explanations of key movements in balance sheet line items are set out below:

### Home loans

Home loan balances were \$502 billion, an increase of 3.3% on the prior year. The increase excluding foreign exchange was 4%, driven by Retail Banking Services, Bankwest and New Zealand. Domestic loan growth of 4% was 2% below the overall banking system, reflecting the Bank's approach to complying with regulatory requirements on investor and interest-only home lending, and increased competition, particularly from non-banks. Home loans in Australia amount to \$451 billion (30 June 2017: \$436 billion) of which 65% are owner occupied loans, 32% are investment loans and 3% are lines of credit (30 June 2017: 63% owner occupied, 33% investment, and 4% were lines of credit).

### Business and corporate loans

Business and corporate loans were \$222 billion, a 1.8% decrease on the prior year. The decrease was driven by a 6% decrease in institutional lending balances, as a result of portfolio optimisation initiatives. This was partly offset by growth of 2% in Business and Private Banking across various industries, including agribusiness, hospitality and health, and growth of 4% in Bankwest driven by the property and corporate segments. Growth in New Zealand of 8% was above the overall New Zealand banking system, reflecting the long-term strategic focus on the business and rural segment.

### Total interest bearing deposits

Total interest bearing deposits were \$572 billion, a 2% decrease on the prior year. The decrease excluding foreign exchange was 1%. This was driven by changes in the short to long term funding mix as the Bank replaced short-term wholesale deposit funding with long-term debt issues to improve funding stability, and lower investment deposits in Institutional Banking and Markets driven by increased competition from domestic and foreign banks. The decrease was partly offset by strong growth in transaction deposits in Retail Banking Services, Business and Private Banking and Institutional Banking and Markets.

### Debt issues

Debt issues on wholesale markets were \$173 billion, a 3% increase on the prior year. The Bank actively replaced short-term wholesale funding with long-term wholesale funding to reduce the annual funding requirement and to take advantage of favourable global funding conditions.

## 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.

CET1 was maintained well in excess of the regulatory minimum capital requirement at all times throughout the year. CET1 remained unchanged during the year and was impacted by the following:

- The benefit of profits generated in the ordinary course of business.
- Dividends paid during the period to shareholders which have the effect of reducing capital, however this impact was partly offset via equity raised through the Bank's dividend reinvestment plan.
- On 1 May 2018, APRA released the findings of the Prudential Inquiry into the Bank. APRA required the Bank to increase Operational Risk regulatory capital by \$1 billion, equivalent to an additional 0.28% of CET1. This adjustment was effective as at 30 April 2018.

### Flat bpts

#### Capital ratio CET1 (APRA)

(%)

**10.1%**

<b>FY18</b>	<b>10.1%</b>
<b>FY17</b>	<b>10.1%</b>

## Guidance on the impact of one-off items

The Bank's financial results were impacted by a number of one-off items. In order to present a transparent view of business performance, operating income and operating expense are shown both before and after the following one-off items below:

FY18 includes:

- the acquisition of Aussie Home Loans and eChoice resulting in consolidation of \$237 million of income and \$197 million of expenses
- a \$700 million non-tax deductible expense provision for the AUSTRAC civil penalty
- one-off regulatory costs of \$155 million relating to costs associated with the Royal Commission, AUSTRAC proceedings and the APRA Prudential Inquiry

FY17 includes:

- a \$397 million gain on sale of the Bank's remaining equity stake in Visa Inc.
- \$41 million share of profits from our 80% stake in AHL
- a \$393 million one-off expense for acceleration of amortisation on certain software assets

Full year ended <sup>(1)</sup>	30 Jun 18 \$M	30 Jun 17 \$M	Jun 18 vs Jun 17 %
<b>Operating income excluding one-off items cash basis</b>	25,670	24,819	3.4
One-off items:			
Sale of Visa shares	–	397	large
AHL and eChoice <sup>(2)</sup>	237	41	large
<b>Total operating income cash basis</b>	25,907	25,257	2.6
<b>Operating expense excluding one-off items cash basis</b>	(10,547)	(10,229)	3.1
One-off items:			
Accelerated amortisation on certain software assets	–	(393)	large
AHL and eChoice	(197)	–	n/a
AUSTRAC civil penalty	(700)	–	n/a
One-off regulatory costs	(155)	–	n/a
<b>Total operating expenses cash basis</b>	(11,599)	(10,622)	9.2

(1) Information has been restated and presented on a continuing operations basis. Discontinued operations include the Bank's life insurance business in Australia and New Zealand, its 37.5% equity interest in BoComm Life Insurance Company Limited, and TymeDigital.

(2) The consolidation of AHL and eChoice in FY18 includes \$5 million of interest income and \$232 million of other banking income.

## Net profit after tax from discontinued operations



Discontinued operations represent a major business or a division that the Bank plans to sell or close within the next 12 months, or that has already been sold or closed.

For reporting purposes profit is presented excluding discontinued operations to provide a clear view of the ongoing performance of the business. The Bank also reports profit including discontinued operations to provide shareholders with a complete view of the Bank's performance.

The following businesses have been classified as discontinued operations during the year:

- Life insurance businesses, CommInsure Life and Sovereign
- Commonwealth Bank of South Africa (TymeDigital)
- BoComm Life Insurance Company Limited

Full year ended	30 Jun 18 \$M	30 Jun 17 \$M	Jun 18 vs Jun 17 %
Life insurance (CommInsure Life and Sovereign)	242	226	7.1
Commonwealth Bank South Africa	(82)	(57)	(43.9)
BoComm Life Insurance Company Limited	19	16	18.8
<b>Net profit after tax from discontinued operations cash basis</b>	179	185	(3.2)
Non-cash items (after tax) – discontinued operations	(225)	(19)	large
<b>Net profit/(loss) after tax from discontinued operations statutory basis</b>	(46)	166	large

## Cash to statutory profit reconciliation



Non-cash items are excluded from net profit after tax (cash basis), which is management's preferred measure of the Bank's financial performance, as they tend to be non-recurring in nature or are not considered representative of the Bank's ongoing financial performance. Non-cash items are treated consistently each period.

The reconciliations below provide a reconciliation between cash and statutory basis profit from continuing operations and on a total operations basis including discontinued operations.

For further detail refer to the cash to statutory profit reconciliation on page 290 of the Annual Report.

The non-cash items excluded from cash profit for the period are:

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

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

### Hedging and IFRS volatility

Hedging and IFRS volatility represents timing differences between fair value movements on hedges and the underlying exposure. They do not affect the Bank's performance over the life of the hedge transaction. 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. Bankwest customer lists are the only asset still being amortised.

### Treasury shares valuation adjustment

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

Full year ended <sup>(1)</sup>	30 Jun 18 \$M	30 Jun 17 \$M	Jun 18 vs Jun 17 %
<b>Net profit after tax from continuing operations cash basis</b>	9,233	9,696	(4.8)
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	44	–	n/a
Hedging and IFRS volatility	101	73	38.4
Bankwest non-cash items	(3)	(3)	–
<b>Net profit after tax from continuing operations statutory basis</b>	9,375	9,766	(4.0)

(1) Comparative information has been restated to conform to presentation in the current period.

Full year ended <sup>(1)</sup>	30 Jun 18 \$M	30 Jun 17 \$M	Jun 18 vs Jun 17 %
<b>Net profit after tax cash basis including discontinued operations</b>	9,412	9,881	(5)
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	(183)	–	n/a
Hedging and IFRS volatility	101	73	38
Bankwest non-cash items	(3)	(3)	–
Treasury shares valuation adjustment discontinued operations	2	(23)	large
<b>Net profit after tax including discontinued operations statutory basis</b>	9,329	9,928	(6)

(1) Comparative information has been restated to conform to presentation in the current period.



	30 Jun 18 \$M	30 Jun 17 <sup>(1)</sup> \$M	30 Jun 16 <sup>(1)</sup> \$M	30 Jun 15 \$M	30 Jun 14 \$M
Net interest income	18,341	17,543	16,858	15,827	15,131
Other operating income <sup>(2)</sup>	7,583	7,737	7,043	7,751	7,270
Total operating income	25,924	25,280	23,901	23,578	22,401
Operating expenses	(11,599)	(10,622)	(9,957)	(10,003)	(9,499)
Impairment expense	(1,079)	(1,095)	(1,256)	(988)	(953)
Net profit before tax	13,246	13,563	12,688	12,587	11,949
Corporate tax expense	(3,994)	(3,847)	(3,497)	(3,439)	(3,250)
Non-controlling interests	(19)	(20)	(20)	(21)	(19)
<b>Net profit after tax from continuing operations ("cash basis")</b>	<b>9,233</b>	<b>9,696</b>	<b>9,171</b>	<b>9,127</b>	<b>8,680</b>
Net profit after tax from discontinued operations	179	185	274	-	-
<b>Net profit after tax ("cash basis")</b>	<b>9,412</b>	<b>9,881</b>	<b>9,445</b>	<b>9,127</b>	<b>8,680</b>
Treasury shares valuation adjustment	2	(23)	4	(28)	(41)
Hedging and IFRS volatility	101	73	(199)	6	6
(Loss)/gain on disposal of controlled entities/investments	(183)	-	-	-	17
Bankwest non-cash items	(3)	(3)	(27)	(52)	(56)
Bell Group litigation	-	-	-	-	25
<b>Net profit after income tax attributable to Equity holders of the Bank "statutory basis"</b>	<b>9,329</b>	<b>9,928</b>	<b>9,223</b>	<b>9,053</b>	<b>8,631</b>
<b>Contributions to profit (after tax)</b>					
Retail Banking Services	5,193	4,933	4,540	3,994	3,678
Business and Private Banking	1,888	1,808	1,522	1,495	1,321
Institutional Banking and Markets	1,121	1,311	1,190	1,285	1,252
Wealth Management	563	422	400	643	789
New Zealand	975	869	785	882	742
Bankwest	681	576	778	795	675
IFS and Other	(1,188)	(223)	(44)	33	223
<b>Net profit after tax from continuing operations ("cash basis")</b>	<b>9,233</b>	<b>9,696</b>	<b>9,171</b>	<b>9,127</b>	<b>8,680</b>
Investment experience after tax	(10)	(18)	(24)	(150)	(197)
<b>Net profit after tax "underlying basis"</b>	<b>9,223</b>	<b>9,678</b>	<b>9,147</b>	<b>8,977</b>	<b>8,483</b>
<b>Balance Sheet</b>					
Loans, bills discounted and other receivables	743,365	731,762	695,398	639,262	597,781
Total assets	975,165	976,318	932,945	873,489	791,451
Deposits and other public borrowings	622,234	626,655	588,045	543,231	498,352
Total liabilities	907,305	912,658	872,437	820,684	742,103
Shareholders' Equity	67,860	63,660	60,508	52,805	49,348
Net tangible assets (including discontinued operations)	56,911	53,090	49,630	41,334	38,080
Risk weighted assets - Basel III (APRA)	458,612	437,063	394,667	368,721	337,715
Average interest earning assets	854,264	834,741	790,596	736,164	705,862
Average interest bearing liabilities	759,583	755,612	733,754	693,376	660,847
Assets (on Balance Sheet) - Australia	811,491	817,519	783,114	741,249	669,293
Assets (on Balance Sheet) - New Zealand	69,052	89,997	83,832	72,299	69,110
Assets (on Balance Sheet) - Other	94,622	68,802	65,999	59,941	53,048

(1) Comparative information for 2017 and 2016 has been restated to reflect the change in accounting policy detailed in Note 1.1 and refinements to the allocation of customer balances.

(2) Includes investment experience.

## Contact us

### Registered Office

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Facsimile +61 2 9118 7192

### Company Secretary

Taryn Morton

### Shareholder Information

[www.commbank.com.au/shareholder](http://www.commbank.com.au/shareholder)

### Share Registrar

Link Market Services Limited  
Level 12  
680 George Street  
Sydney NSW 2000  
Telephone: 1800 022 440

**Internet:** [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**Email:** [cba@linkmarketservices.com.au](mailto:cba@linkmarketservices.com.au)

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United Kingdom

0345 640 6130

Fiji

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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 1800 022 440 or by email at [cba@linkmarketservices.com.au](mailto:cba@linkmarketservices.com.au).

Electronic versions of Commonwealth Bank's past and current Annual Reports are available on [www.commbank.com.au/investors](http://www.commbank.com.au/investors).



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