

# **Financial Report (U.S. Version) Year ended 30 June 2019**



**Commonwealth**Bank



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# Introduction

The Commonwealth Bank of Australia Financial Report (US Version) - Year Ended 30 June 2019, which contains the Financial Statements for the year ended 30 June 2017, 2018 and 2019 and as at 30 June 2018 and 2019 (the "2019 Financial Report") should be read in conjunction with:

- The Commonwealth Bank of Australia Financial Report (US Version) - Year Ended 30 June 2018, which contains the Financial Statements for the years ended 30 June 2016, 2017 and 2018 and as at 30 June 2017 and 2018 (the "2018 Financial Report"); and
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosures as at 30 June 2019 in each case, as found on the US Investor Website located at: [www.commbank.com.au/usinvestors](http://www.commbank.com.au/usinvestors) (the "US Investor Website")



# Board of Directors



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



## Catherine Livingstone AO Chairman

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

-  Nominations Committee (Chairman), Risk Committee, Audit Committee and People & Remuneration Committee.
-  WorleyParsons Limited, University of Technology Sydney (Chancellor), The Australian Ballet and CSIRO Australia Telescope National Facility Steering Committee.
-  BA Hons (Accounting), FCA, PED, FTSE, FAICD, FAA.




## Matt Comyn Managing Director and Chief Executive Officer

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

-  UNICEF Australia, Australian Bankers Association and Financial Markets Foundation for Children.
-  BAv, MCom, EMBA, GMP.

## Shirish Apte Independent Non-Executive Director




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

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

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**Professor Genevieve Bell**  
**Independent Non-Executive Director**

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

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

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**Sir David Higgins**  
**Independent Non-Executive Director**

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




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

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**Paul O'Malley**  
**Independent Non-Executive Director**

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

Paul is a former Director of the Worldsteel Association, Chair of its Nominating Committee and Trustee of the Melbourne Cricket Ground Trust.

-  People & Remuneration Committee<sup>1</sup> and Nominations Committee.
-  Australian Catholic Redress Limited (Chairman).
-  BCom, M. App Finance, ACA.

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**Mary Padbury**  
**Independent Non-Executive Director**

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

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

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**Wendy Stops**  
**Independent Non-Executive Director**

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

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

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**Anne Templeman-Jones**  
**Independent Non-Executive Director**




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

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

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**Robert Whitfield**  
**Independent Non-Executive Director**

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

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

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<sup>1</sup> Paul O'Malley will become chair of the People & Remuneration Committee effective 1 January 2020.



# Directors' report



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## Directors' report

The Directors of the Commonwealth Bank of Australia present their report, together with the Financial report of the Commonwealth Bank of Australia (the Bank) and of the Group, being the Bank and its controlled entities, for the year ending 30 June 2019.

## Principal activities

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

Our products and services are provided through the following divisions:

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

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

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

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

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

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

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

On 31 October 2018, the Group announced the sale of Colonial First State Global Asset Management (CFSGAM) to Mitsubishi UFJ Trust and Banking Corporation (MUTB). The sale completed on 2 August 2019.

On 1 November 2018, the Group completed the sale of Commonwealth Bank of South Africa (Holding Company) Limited (TymeDigital SA) to the minority shareholder, African Rainbow Capital (ARC).

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

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

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

## Operating and financial review

### Financial performance summary

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

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

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

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

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

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

## Dividends

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

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

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



## Events subsequent to balance sheet date

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

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

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

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

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

For further information on subsequent events refer to Note 12.7 in the *Financial report* on page 199.

## Change in state of affairs

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

## Environmental reporting

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

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

## Directors

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

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

Details of current Directors, their experience, qualifications and any special responsibilities, including Committee memberships, are set out on pages 2 and 3.

## Other directorships

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

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

<sup>1</sup> Formerly Ten Network Holdings Limited, converted to a proprietary limited company on 10 January 2018.

## Directors' meetings

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

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

1 The Board also establishes ad hoc Committees for special purpose business from time to time to support the Board in carrying out its responsibilities.

2 Two concurrent meetings of the Risk, Audit, Nomination and Remuneration Committees have been counted as additional meetings of each committee.

3 The number of scheduled and unscheduled meetings held during the time the Director was a member of the Board or of the relevant committee.

4 Professor Genevieve Bell was appointed a member of the Board effective 1 January 2019.

5 Brian Long retired from the Audit Committee, Risk Committee, Nominations Committee and the Board effective 31 December 2018.

6 Andrew Mohl retired from the Risk Committee, Remuneration Committee and the Board effective 7 November 2018.

7 Paul O'Malley was appointed a member of the Board effective 1 January 2019 and the Remuneration and Nominations Committees effective 1 June 2019.

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

## Directors' shareholdings, share rights and options

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

## Options and share rights outstanding

There are no options over Bank shares on issue as at the date of this report. As at the date of this report there are 1,377,132 share rights outstanding in relation to Bank ordinary shares and no employee options.

## Directors' and officers' indemnity and insurance

### Constitution

The Directors, as named on page 7 of this report, and the Company Secretaries of the Bank, referred to below, are indemnified under the Constitution of the Commonwealth Bank of Australia (the Constitution), as are all senior managers of the Bank.

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

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

### Deeds of indemnity

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

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

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

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

### Insurance

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

### Proceedings on behalf of the Bank

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

### Rounding and presentation of amounts

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

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

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


### Company secretaries

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

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

 FGIA, MAICD, B.Bus, MLS, JP.

Kristy Huxtable was appointed Company Secretary of the Bank on 20 March 2019. Kristy brings extensive corporate governance and secretariat experience in financial services, having previously worked with Suncorp, ING, MLC, KeyInvest and the ASX. Kristy is a Fellow of the GIA, and a Member of the Australian Institute of Company Directors and the GIA Legislative Review Committee.

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



# Remuneration report



## Message from the Remuneration Committee Chairman

Dear Shareholder

Our strategy is to become a simpler, better bank to fulfil our purpose of improving the financial wellbeing of our customers and the community. We are well on our way, but there is more to do. Our remuneration policy, frameworks and governance have and will continue to evolve, building on the transformation commenced in 2017.

The 2019 financial year has been challenging for the Bank. The Royal Commission highlighted a number of risk and reputational issues, and the Group's performance overall was significantly impacted by in-year provisions to address customer remediation issues. Remuneration outcomes for the Chief Executive Officer (CEO) and Group Executives directly reflect this context, with Short-Term Variable Remuneration (STVR) outcomes below target and variability reduced as a result of not achieving shareholder and customer advocacy results.

### Risk and Remuneration Consequences

The Board recognises the important role that remuneration can play in effectively managing risk, including emphasising positive risk culture and supporting the Group's approach to consequence management. The Board reinforces accountability for poor customer and risk outcomes through remuneration consequences.

During the 2019 financial year, we introduced material enhancements to increase the rigour and challenge in the Group's approach to risk and remuneration, including improved information to support the Board's determination of remuneration consequences in relation to risk and reputational matters. Consequences applied to both current and former Executives during the 2019 financial year were:

- Of the 15 Executives eligible for an STVR award, 14 received in-year reductions in relation to risk and reputational matters, including the CEO.
- The Board exercised discretion to forfeit all unvested deferred awards for a former Group Executive, having regard to the performance outcomes of their business unit that have resulted in significant adverse financial, customer, and reputational impacts.

### Strengthening our Remuneration Approach

In the 2019 financial year we:

- Increased the weighting of non-financial measures in the CEO and Group Executive performance scorecards, to provide a more balanced focus on customer, people, strategic and shareholder outcomes. As required by the Enforceable Undertaking agreed with Australian Prudential Regulation Authority (APRA), scorecards also included a significant weighting for the delivery of the Remedial Action Plan (RAP).

- Fully implemented the recommendations of the Sedgwick Retail Banking Remuneration Review within CBA to drive a focus on better customer outcomes across customer-facing employees and their leaders. Financial measures now represent a maximum of 30% of balanced scorecards. Variable remuneration is capped at 40% of base remuneration, with the exception of select home lending specialists.
- Introduced a new STVR approach for CBA, incorporating a formal assessment of financial and non-financial risk measures for pool funding to reinforce collective accountability.
- Adopted clear criteria to assess the overall effectiveness of our remuneration policy and practices, with reviews conducted every two years.
- Implemented the Banking Executive Accountability Regime's (BEAR) remuneration requirements in full.

### Renewal of Executive Team

During the 2019 financial year we welcomed seven new appointments, bringing a strong mix of local and global experience across banking, risk, digital transformation, and leadership of cultural change.

Securing the best executive talent and capability is critical to the execution of the Group's strategy. The Board determined that in order to secure the best talent it was necessary and appropriate to provide competitive remuneration packages, based on a careful assessment of local and global competitor practices.

### Priorities for the 2020 Financial Year

We will monitor and adjust our remuneration policy and frameworks for all employees so they continue to meet both the spirit and the requirements of revised regulatory standards, and reflect evolving community expectations. We will continue on our path of reinforcing better risk and customer outcomes through remuneration that appropriately balances financial and non-financial performance measures, enables risk and consequence management frameworks, and provides greater transparency to support cultural change. Further, the introduction of regular policy effectiveness reviews will strengthen Board oversight and help to inform our future remuneration approach.

I will be retiring from the Board at the end of the year. It has been a privilege to serve as Chairman of the Remuneration Committee during a time of considerable challenge for the Bank. I am pleased that the Committee, with the full support of the Board, has made significant progress in addressing the challenges faced.

While I am retiring, we recognise that there is still much to do. In that regard, I am pleased to hand over to Paul O'Malley, who will be commencing as Chairman of the People & Remuneration Committee from 1 January 2020.

Thank you for your continued interest, support and feedback as we continue to build a simpler, better bank.

I invite you to review the full remuneration report.



**Sir David Higgins**  
Remuneration Committee Chairman

## Remuneration at a glance

### CEO remuneration

For the 2019 financial year, the CEO:


- Did not receive an increase to Fixed Remuneration (FR).
- Received an STVR outcome of **68% of target value** and **45% of maximum value**. This outcome of less than half of the maximum opportunity reflects assessed performance and an overall reduction applied to the STVR outcome as a consequence of his risk assessment being Partially Met.
- Received partial vesting of the 2016 financial year Long-Term Variable Remuneration (LTVR) award, which reached the end of its four-year performance period on 30 June 2019. The award vested at **24.31% overall**, as a result of 0% vesting against the relative Total Shareholder Return (TSR) measure and 98.5% vesting against relative customer satisfaction measures.
- Received total remuneration of **\$3.4m** for his first full year in the role.
- Had a maximum variable remuneration opportunity weighted at **55% for financial measures** and **45% for non-financial measures**.

### Group Executives and CEO ASB

For the 2019 financial year:


- There were no FR increases for Group Executives who did not change roles.
- David Cohen did not receive a FR increase upon appointment to the Deputy CEO role.
- FR for the newly appointed Group Executives and the CEO ASB (Pascal Boillat, Alan Docherty, Andrew Hinchliff, Sian Lewis, Angus Sullivan, Vittoria Shortt and Nigel Williams) are shown on page 14.
- Overall there was reduced opportunity for variability in Group Executive STVR outcomes, with zero outcomes where financial/shareholder and customer advocacy measures did not meet threshold levels.
- The average STVR outcome for Group Executives and the CEO ASB (as a % of maximum) was **44%**.

	% of maximum STVR	
	2019 financial year	2018 financial year
CEO	45%	0%
Group Executives (range)	31% – 52%	0% – 38%
CEO ASB	52%	N/A

 Read more on page 21

### LTVR outcomes

The 2016 financial year LTVR award reached the end of its four-year performance period on 30 June 2019, with **24.31%** of the award vesting as a result of performance against the LTVR measures.

 Read more on page 24

## Risk and remuneration consequences

The 2018 APRA Prudential Inquiry Report highlighted shortcomings in the way CBA applied remuneration consequences when risk expectations were not fully met, both individually and collectively.

The Board has been working with management to improve procedures to identify employees who have not fully met the Board's expectations of risk behaviours and outcomes, and those employees who exceptionally manage risk.

Over 300 employees were recognised for the way they have positively influenced the risk culture of CBA.

The Code of Conduct is the framework that applies to the management of employee conduct. In the 2019 financial year, there were 1,869 instances of unacceptable conduct, including 18 senior leaders (General Managers and Executive General Managers), with 187 resulting in termination.

As a result of the improvements made to risk assessment processes to support the annual performance reviews for the 2018 financial year, 2,462 employees participating in the STVR plan were identified as not having fully met risk expectations and accountabilities (compared to 1,316 in the prior year). This included 73 senior leaders.

Broadly, STVR outcomes were reduced by a minimum of 10%, ranging to 100%, with 2,331 employees assessed as only partially meeting risk expectations and 131 employees rated as failing to meet risk standards. Malus adjustments to deferred variable remuneration were also applied.

This is in addition to the remuneration consequences previously applied to reflect individual and/or collective accountability for the findings of the APRA Prudential Inquiry Report. The total remuneration consequences applied across CBA for the 2017 and 2018 financial years exceeded \$100m.

Key features of CBA's performance and remuneration framework are detailed below, including the enhancements made in the 2019 financial year. ASB is also reviewing its remuneration framework, in light of New Zealand regulatory expectations.

Element	Details
<b>Risk culture</b>	<p>Improvements made in the 2019 financial year included:</p> <ul style="list-style-type: none"> <li>• Launching the new Code of Conduct in September 2018 that specifies the Board's expectations for how our people act, solve problems and make decisions. Compliance with the Code is now a part of the values and risk assessment for all employees.</li> <li>• Introducing a new "Exceptionally Managed" category to the risk assessment rating scale. This provides balance to the risk assessment so that it is not only punitive, but also promotes and recognises exceptional risk behaviours and outcomes, and supports positive cultural change.</li> <li>• Updating our values expectations and values assessment process which ensures that STVR outcomes are based on both what was achieved (key performance indicators) and how it was achieved (values and risk assessment).</li> </ul>
<b>Alignment of remuneration with prudent risk-taking</b>	<ul style="list-style-type: none"> <li>• Risk scorecards provided the Board with robust and timely information to determine if an appropriate consequence should be applied to Group Executive remuneration outcomes for risk and reputation matters. Risk scorecards are independently reviewed and challenged by the Group Chief Risk Officer (CRO). The Group CRO's risk scorecard is independently reviewed and challenged by the Risk Committee Chair.</li> <li>• Risk scorecards were extended to General Managers and now apply to all senior leaders of the organisation from the 2019 financial year.</li> <li>• A new Bank-wide approach to funding of the STVR pool was introduced, incorporating an assessment of financial and non-financial risks in addition to risk-adjusted financial measures (this ensures that all relevant risks are considered in determining the available STVR pool, as well as reinforcing collective accountability).</li> <li>• To support the role's independence, the remuneration mix and weightings of performance measures in the balanced scorecard for the Group CRO were revised and differ from the other Group Executives, with any linkages to Group financial outcomes removed.</li> </ul>
<b>Risk assessment process</b>	<ul style="list-style-type: none"> <li>• Executive risk assessments were discussed at the concurrent meetings of the Remuneration, Risk, Audit and Nominations Committees as part of the interim and annual performance assessment processes for Executives (excluding the CEO ASB).</li> <li>• In the 2019 financial year, the Bank sought to improve the rigour and governance of the risk assessment process. Enhancements included Board approval of: <ul style="list-style-type: none"> <li>– Risk scorecard guidance and processes that included the following elements: compliance with audit review timeframes, the new Code of Conduct, the BEAR accountabilities and assessment of Financial Crime Compliance behaviours.</li> <li>– Enhanced guidance to all employees on how to assess risk behaviours and outcomes (including for Exceptionally Managed outcomes) and the remuneration consequences of not fully meeting risk expectations.</li> <li>– Transparent communication to all employees of both good and poor risk assessments for the 2018 financial year and subsequent remuneration outcomes.</li> <li>– Formal guidance on the application of malus to deferred variable remuneration as a result of a material risk or misconduct matters.</li> </ul> </li> </ul>
<b>Malus/ Clawback</b>	<ul style="list-style-type: none"> <li>• Malus is the ability to reduce (including to zero) and withhold variable remuneration awards that have been awarded, but not vested. CBA has had the ability to apply malus adjustments to unvested deferred variable remuneration outcomes since 2013. In the 2019 financial year, formal guidance on the application of malus was introduced.</li> <li>• The Board exercised discretion to forfeit all unvested deferred awards for a former Group Executive, having regard to the performance outcomes of their business unit that have resulted in significant adverse financial, customer, and reputational impacts.</li> <li>• Clawback will be explored as part of the CEO and Group Executive remuneration strategy and framework review during the 2020 financial year.</li> </ul>



## Appointment arrangements of externally hired Group Executives

The Board recognises that it is vital to secure the best executive talent, including in the areas of risk, digital, cyber security and audit. In the 2019 financial year, Pascal Boillat, Group Executive, Enterprise Services and Chief Information Officer, and Nigel Williams, Group CRO, were appointed to the Executive Team. These roles are critical to delivering the Group's strategy of becoming a simpler, better bank, and both Group Executives are highly experienced in their relevant fields, and bring global perspectives to the Group.

Pascal leads the technology and operations division of the Group, and is responsible for information technology, cyber security, technology infrastructure and digital delivery for all divisions across CBA. Pascal brings significant experience from working with large global organisations, having previously been the Chief Information Officer for Deutsche Bank.

Nigel brings extensive banking experience, both local and global, including his previous role as CRO of ANZ Banking Group Limited. As Group CRO, Nigel's role is crucial to developing and embedding risk frameworks and re-building trust with relevant regulatory authorities.

To secure these Group Executives, the Board determined that it was necessary and appropriate to provide:

- Competitive remuneration packages, with consideration of internal peers and external market comparators.
- Awards to compensate for unvested awards granted by their former employers and forfeited upon termination of their previous employment. The quantum and vesting schedule of these were determined based on:
  - Forfeited unvested award value, with specific consideration given to any performance conditions. A discount was applied considering the vesting likelihood of any performance-based awards where applicable; and
  - Vesting schedule broadly aligning to the forfeited awards' schedule.
- Relocation benefits to support their relocations to Sydney. Further detail is provided on pages 25 and 26.

The table below outlines the awards offered:

Executive	Grant date	Grant details	Vesting schedule	Vesting conditions
Pascal Boillat	1 October 2018	82,660 deferred shares (indicative value of \$5.86m). Eligible for dividends paid on deferred shares during the vesting period.	Vesting in six tranches between April 2019 and March 2023.	Subject to: <ul style="list-style-type: none"> <li>• Continued employment;</li> <li>• Board risk and reputation review; and</li> <li>• Malus provisions.</li> </ul>
Nigel Williams	5 November 2018	43,112 deferred shares (indicative value of \$2.95m). Eligible for dividends paid on deferred shares during the vesting period.	Vesting in four tranches between January 2019 and November 2021.	

## Exit arrangements

The table below outlines the exit arrangements for Group Executives during the 2019 financial year. Further detail is provided on pages 25 and 26:

Executives	Exit arrangements
Coen Jonker (ceased on 31 Dec 18)	<ul style="list-style-type: none"> <li>• Payment in lieu of balance of notice period.</li> <li>• Provision of benefits required by law, mobility and repatriation benefits on ceasing employment and severance pay for past services in accordance with his employment agreement (six months FR).</li> <li>• Eligible for pro-rated 2019 financial year STVR award<sup>1</sup>. Not eligible for 2019 financial year LTVR award. Unvested deferred STVR and LTVR awards remain on-foot<sup>2</sup>.</li> </ul>
Melanie Laing (ceased on 31 Jul 18)	<ul style="list-style-type: none"> <li>• Payment in lieu of balance of notice period.</li> <li>• Provision of benefits required by law, additional long service leave accrued based on past service and agreed legal costs (capped) related to termination.</li> <li>• Not eligible for 2019 financial year STVR or LTVR award. Unvested LTVR awards remain on-foot<sup>2</sup>.</li> </ul>
Anna Lenahan (ceased on 30 Jun 19)	<ul style="list-style-type: none"> <li>• Provision of benefits required by law.</li> <li>• Eligible for 2019 financial year STVR<sup>1</sup>. Unvested deferred STVR and LTVR (including 2019 financial year LTVR awarded in November 2018) remain on-foot<sup>2</sup>.</li> </ul>

1 In line with the BEAR, for any payment determined and paid in ordinary course (subject to performance and Board risk and reputation review), 60% of any award will be paid in cash and remaining 40% deferred as cash vesting four years after the decision is made to make the relevant grant.

2 No accelerated or automatic vesting upon ceasing employment. The on-foot awards will have performance measured in the ordinary course at the end of the performance period related to each award. Final outcomes will be subject to performance, and Board risk and reputation review.

## Remuneration received by current Executives during the 2019 financial year

The remuneration outcomes table below provides a summary of the remuneration that was received by current Executives in their Key Management Personnel (KMP) roles during the 2019 financial year. We believe that presenting this information provides shareholders with greater clarity and transparency of Executive remuneration. This table differs from the statutory remuneration table on page 25, which presents remuneration in accordance with accounting standards (i.e. on an accruals basis).

Remuneration received by current Executives during the financial year ended 30 June 2019:

<b>Cash payments</b>	<b>a) FR:</b> Base remuneration plus superannuation (for Vittoria Shortt, contributions are made in line with the KiwiSaver employer contribution requirements) paid for the period as KMP. For Alan Docherty, this includes the cash allowance paid to him during his acting period. <b>b) Cash STVR:</b> 50% (60% for the CEO ASB) of the 2019 financial year STVR (relates to performance during the 12 months to 30 June 2019).
<b>Vesting of prior year awards</b>	<b>d) Deferred equity awards:</b> The value of all equity awards (STVR, LTVR or sign-on awards) that vested during their period as KMP plus any dividends accrued during the deferral period. The value shown is the face value (i.e. based on the volume-weighted average closing price (VWACP) of the Group's ordinary shares over the five trading days preceding the vesting date).
<b>Awards forfeited or lapsed</b>	<b>f) Previous years' awards forfeited or lapsed:</b> The value of all unvested deferred equity awards that were forfeited or lapsed during the 2019 financial year as the performance, risk and reputation or service conditions were not met.

All remuneration presented in this report is in Australian Dollars.

	FR	Cash STVR	Total cash payments	Deferred equity awards <sup>1</sup>	Total remuneration received	Previous years' awards forfeited or lapsed
	a	b	c = a + b	d	e = c + d	f
<b>CEO</b>						
Matt Comyn						
30 Jun 19	2,200,000	747,450	2,947,450	464,108	3,411,558	(1,270,151)
30 Jun 18	1,315,949	–	1,315,949	1,529,923	2,845,872	(653,185)
<b>Current Executives</b>						
Adam Bennett						
30 Jun 19	1,049,580	244,684	1,294,264	372,984	1,667,248	(562,884)
30 Jun 18	1,049,580	225,988	1,275,568	280,480	1,556,048	–
Pascal Boillat <sup>2</sup>						
30 Jun 19 (effective 1 Oct 18)	1,121,918	353,825	1,475,743	1,052,765	2,528,508	–
David Cohen <sup>3</sup>						
30 Jun 19	1,200,000	348,218	1,548,218	405,514	1,953,732	(1,109,864)
30 Jun 18	1,200,000	261,300	1,461,300	1,377,033	2,838,333	(587,842)
Alan Docherty <sup>4</sup>						
30 Jun 19	945,277	291,296	1,236,573	233,096	1,469,669	–
30 Jun 18 (effective 14 May 18)	98,630	51,966	150,596	–	150,596	(41,820)
Andrew Hinchliff <sup>5</sup>						
30 Jun 19 (effective 1 Aug 18)	915,068	302,888	1,217,956	378,283	1,596,239	–
Anna Lenahan						
30 Jun 19	865,000	332,809	1,197,809	719,170	1,916,979	–
30 Jun 18	865,000	249,120	1,114,120	260,418	1,374,538	–
Sian Lewis <sup>6</sup>						
30 Jun 19 (effective 1 Aug 18)	754,932	260,829	1,015,761	223,942	1,239,703	–
Vittoria Shortt <sup>7</sup>						
30 Jun 19 (effective 1 Jul 18)	965,550	940,777	1,906,327	309,688	2,216,015	(345,461)
Angus Sullivan <sup>8</sup>						
30 Jun 19	1,050,000	374,500	1,424,500	409,280	1,833,780	–
30 Jun 18 (effective 9 Apr 18)	114,909	78,641	193,550	–	193,550	(67,857)
Nigel Williams <sup>9</sup>						
30 Jun 19 (effective 5 Nov 18)	945,479	276,819	1,222,298	1,294,553	2,516,851	–

- Deferred equity awards:** This reflects the portions of the 2015 financial year LTVR award (performance period ended 30 June 2018), and the 2015, 2016 and 2017 financial year deferred STVR awarded under Executive General Manager arrangements that vested in 2019 financial year. For Pascal Boillat, Anna Lenahan and Nigel Williams, this reflects the portion of their sign-on awards that vested in the 2019 financial year.
- Pascal Boillat** was appointed as KMP effective 1 October 2018, therefore no prior year comparison is shown.
- David Cohen** was appointed as Deputy CEO effective 5 November 2018. 2019 financial year remuneration reflects his time in both the Group CRO role (1 July 2018 to 4 November 2018) and Deputy CEO role (5 November 2018 to 30 June 2019). Prior year comparison reflects remuneration for his prior role as Group CRO.
- Alan Docherty** was appointed as Group Executive, Financial Services and Chief Financial Officer effective 15 October 2018. 2019 financial year remuneration reflects his time in both the Acting Group Executive, Financial Services and Chief Financial Officer role (1 July 2018 to 14 October 2018) and Group Executive, Financial Services and Chief Financial Officer role (15 October 2018 to 30 June 2019). Prior year comparison reflects remuneration for his prior part year KMP role, Acting Group Executive, Financial Services and Chief Financial Officer.
- Andrew Hinchliff** was appointed as KMP effective 1 August 2018, therefore no prior year comparison is shown.
- Sian Lewis** was appointed as KMP effective 1 August 2018, therefore no prior year comparison is shown.
- Vittoria Shortt** was determined as KMP in the CEO ASB role effective 1 July 2018. No prior year comparison is shown as she ceased as KMP in her previous role of Group Executive, Marketing and Strategy on 2 February 2018. In addition to the \$28,123 KiwiSaver that forms part of Vittoria Shortt's FR, an additional payment of \$28,223 is payable on her cash STVR component.
- Angus Sullivan** was appointed as Group Executive, Retail Banking Services effective 1 July 2018. Prior year comparison reflects remuneration for his prior part year KMP role, Acting Group Executive, Retail Banking Services (from 9 April 2018 to 30 June 2018).
- Nigel Williams** was appointed as KMP effective 5 November 2018, therefore no prior year comparison is shown.

## Definitions

This remuneration report details the performance and remuneration of KMP for the 2019 financial year. KMP is defined as persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

The Board has determined that the CEO ASB role should be considered a KMP role from 1 July 2018, given ASB's key part in delivering the Group's strategy and important contribution to the Group more broadly.

The following terms are used throughout this report to describe different groups of KMP.

Term	Meaning
<b>Executives</b>	<b>Collective term referring to the individuals in the following executive groups: CEO, Group Executives, CEO ASB and Other Executives</b>
CEO	Managing Director and Chief Executive Officer
Group Executives	All permanent Executives, excluding the CEO, CEO ASB and Other Executives (as defined below)
CEO ASB	Chief Executive Officer of ASB Bank Ltd
Other Executives	Includes Michael Venter (Chief Operating Officer Wealth Management) and all Acting Group Executives Excludes the CEO, Group Executives and CEO ASB
<b>Non-Executive Directors</b>	<b>KMP who are not Executives</b>

## 1. Key Management Personnel

The table below outlines the Group's KMP in the financial year ended 30 June 2019.

Name	Position	Term as KMP
<b>Chairman</b>		
Catherine Livingstone AO	Chairman	Full year
<b>Current Non-Executive Directors</b>		
Shirish Apte	Director	Full year
Genevieve Bell	Director (from 1 January 2019)	Part year
David Higgins	Director	Full year
Paul O'Malley	Director (from 1 January 2019)	Part year
Mary Padbury	Director	Full year
Wendy Stops	Director	Full year
Anne Templeman-Jones	Director	Full year
Robert Whitfield	Director	Full year
<b>Former Non-Executive Directors</b>		
Brian Long	Director (ceased as KMP on 31 December 2018)	Part year
Andrew Mohl	Director (ceased as KMP on 7 November 2018)	Part year
<b>Managing Director and CEO</b>		
Matt Comyn	Managing Director and Chief Executive Officer	Full year
<b>Current Executives</b>		
Adam Bennett	Group Executive, Business and Private Banking	Full year
Pascal Boillat	Group Executive, Enterprise Services and Chief Information Officer (from 1 October 2018)	Part year
David Cohen <sup>1</sup>	Deputy Chief Executive Officer (from 5 November 2018)	Full year
Alan Docherty <sup>2</sup>	Group Executive, Financial Services and Chief Financial Officer (from 15 October 2018)	Full year
Andrew Hinchliff	Group Executive, Institutional Banking and Markets (from 1 August 2018)	Part year
Anna Lenahan <sup>3</sup>	Group General Counsel and Group Executive, Group Corporate Affairs	Full year
Sian Lewis	Group Executive, Human Resources (from 1 August 2018)	Part year
Vittoria Shortt <sup>4</sup>	Chief Executive Officer, ASB	Full year
Angus Sullivan	Group Executive, Retail Banking Services	Full year
Nigel Williams	Group Chief Risk Officer (from 5 November 2018)	Part year
<b>Former Executives</b>		
George Confos	Acting Group Executive, Institutional Banking and Markets (ceased as KMP on 31 July 2018)	Part year
Coen Jonker	Group Executive, International Financial Services (ceased as KMP on 31 December 2018)	Part year
Melanie Laing	Group Executive, Human Resources (ceased as KMP on 31 July 2018)	Part year
Paul Newham	Acting Group Executive, Enterprise Services and Chief Information Officer (ceased as KMP on 30 September 2018)	Part year
Michael Venter	Chief Operating Officer Wealth Management (ceased as KMP on 2 December 2018)	Part year

1 David Cohen was the Group CRO from 1 July 2018 to 4 November 2018 and the Deputy CEO from 5 November 2018 to 30 June 2019.

2 Alan Docherty was acting in the Group Executive, Financial Services and Chief Financial Officer role from 1 July 2018 to 14 October 2018.

3 Anna Lenahan retired from the Group on 30 June 2019.

4 The CEO ASB role has been determined to be KMP as of 1 July 2018.



## 2. Executive remuneration framework

### CEO and Group Executives

The below diagram illustrates the remuneration framework that applied to the CEO and Group Executives during the 2019 financial year. The Remuneration Committee undertook a comprehensive review of the CEO and Group Executive remuneration framework during the 2019 financial year and determined to not make any material changes to the existing framework effective for the 2020 financial year.

A further review of the CEO and Group Executive remuneration framework will be undertaken during the 2020 financial year incorporating new guidance set by our regulators. The review aims to ensure that our remuneration framework continues to support our remuneration principles outlined below.

**BEAR**  
Our remuneration framework, including variable remuneration deferral for all Executives meets the BEAR requirements.

### OUR REMUNERATION PRINCIPLES



Aligned with shareholder value creation



Market competitive to attract and retain high-calibre talent



Reward sustainable outperformance and discourage poor performance



Recognise the role of non-financial drivers in longer-term value creation



Simple and transparent



Reflect the Group's strategy and values

### OUR REMUNERATION FRAMEWORK AND OUTCOMES REFLECT OUR VALUES

We do what is right

We are accountable

We are dedicated to service

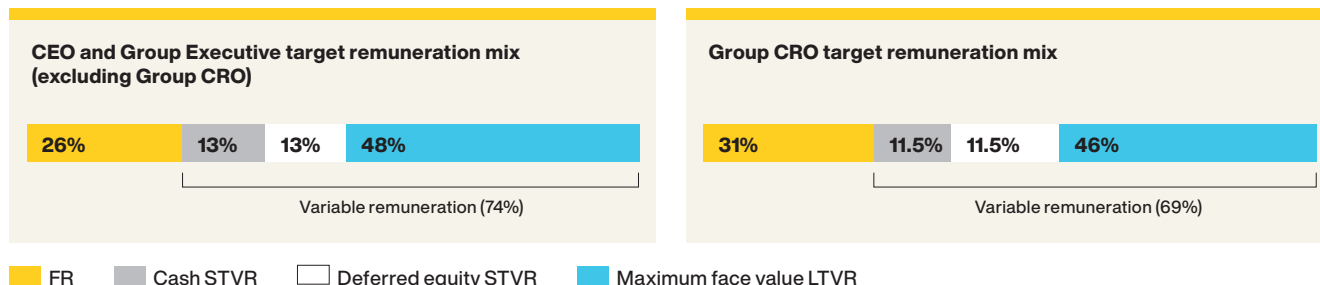
We pursue excellence

We get things done

	FR	STVR (at risk)			LTVR (at risk)
Rationale	Provides market competitive remuneration to attract and retain high quality talent whilst reflecting role size and accountabilities.	Rewards annual performance, providing specific focus on strategic priorities.  The values and risk and reputation outcome modifiers reward for the way the Group achieves performance outcomes.			Focuses efforts on achieving longer-term superior performance for key stakeholder groups – customers, the community, our people and shareholders.  Rewards participants for the creation of sustainable long-term shareholder value and driving positive culture and engagement across the Group, and re-building trust with our customers and the community.
Structure	Base remuneration and superannuation.	50% paid as cash	25% deferred into equity for one year	25% deferred into equity for two years	Rights to shares with no dividend equivalent payments, vesting subject to performance over a four-year period.
Approach	<ul style="list-style-type: none"><li>Reviewed annually against peer group remuneration disclosures.</li><li>Primary peer group is the other three major Australian banks.</li></ul>	<ul style="list-style-type: none"><li><b>Quantum:</b><ul style="list-style-type: none"><li>Target opportunity of 100% of FR (75% of FR for Group CRO).</li><li>Maximum opportunity of 150% of FR (112.5% of FR for Group CRO).</li></ul></li><li><b>Performance measures:</b> Financial (30%; 10% for Group CRO) and non-financial measures (70%; 90% for Group CRO), being customer, people and strategic measures, including delivery of the RAP.</li><li><b>Modifiers:</b> Performance outcomes subject to Board assessment of demonstration of values, risk and reputation.</li></ul>			<ul style="list-style-type: none"><li><b>Quantum:</b> Maximum face value allocation of 180% of FR (150% for Group CRO), vesting is subject to performance measures and Board risk and reputation review.</li><li><b>Performance measures:</b><ul style="list-style-type: none"><li>Relative TSR (75%); trust and reputation (12.5%); and employee engagement (12.5%).</li><li>A positive TSR gateway applies to the trust and reputation and employee engagement measures.</li><li>Relative TSR is measured against a peer group made up of the 20 largest companies on the ASX by market capitalisation, excluding resources companies, and CBA.</li></ul></li></ul>
	All variable remuneration is subject to Board risk and reputation review and malus consideration.				
<b>Mandatory shareholding requirement:</b> Group Executives must accumulate CBA shares equal to 200% of FR (300% of FR for the CEO) over a five-year period from the date of their appointment to the respective roles. More detail on Executive shareholding is provided in on page 18.					

## CEO and Group Executive target remuneration mix

The following diagrams illustrate the target remuneration mix for the CEO and Group Executives. For the CEO and Group Executives (excluding the Group CRO), approximately three-quarters of target remuneration is variable and at risk. The Group CRO's remuneration mix has a greater emphasis on FR than variable remuneration compared to other Group Executives to support the role's independence from the Group's business activities.



## CEO ASB

As required by New Zealand legislation, the CEO ASB is employed by ASB. The Appointments and Remuneration Committee (ARC) of the ASB Board advises and makes recommendations to the ASB Board regarding the CEO ASB's performance and remuneration arrangements, including structure, targets and outcomes.

For the 2019 financial year the following arrangements apply to the CEO ASB:

- Total remuneration consists of FR (includes base remuneration and KiwiSaver) and STVR (not eligible for LTVR). KiwiSaver is payable on all STVR cash components. Total remuneration is intended to be market competitive when compared against New Zealand major banking peers.
- STVR scorecard performance measures broadly align with Group Executives and are determined by the ASB Board at the beginning of the financial year. At year end, the ASB Board determine a performance rating (Needs Improvement; Inconsistent Performance; Valued Contribution; Higher Impact or Exceptional Achievement) based on quantitative and qualitative inputs. A values and behaviours assessment, and risk assessment (based on an Executive Risk Scorecard) are modifiers used to determine outcomes, consistent with the process for Group Executives.
- The process for determining the CEO ASB's STVR outcome differs from Group Executives and is specific to the ASB business. ASB operates its own discretionary annual variable remuneration plan. Outcomes under that discretionary plan are determined using a combination of company and individual performance outcomes as illustrated below:

CEO ASB STVR reference value		STVR pool/ASB performance multiplier <sup>1</sup>		Individual performance multiplier		Distribution factor <sup>2</sup>
120% of base salary	x	75% at threshold 125% at target 150% at maximum Based on NPAT and PACC	x	100% at target 180% at maximum	x	85% – 100%

1 The ASB ARC has the discretion to adjust pool funding outcomes based on non-financial factors (including customer and risk) together with peer relative financial performance.

2 The 'distribution factor' applied depends on individual performance outcomes across all ASB employees who participate in the STVR plan, to ensure payments can be funded within the available pool.

From 1 July 2019, the ASB Board has determined that the CEO ASB's remuneration structure will more closely align to the Group Executives, including the incorporation of an LTVR component and reduction in STVR opportunity. For the 2020 financial year the following arrangements apply to the CEO ASB:

- No change to FR which will continue to be comprised of base remuneration and KiwiSaver on base remuneration. STVR of 100% of FR at target and 150% at maximum. KiwiSaver is payable on all cash components of STVR. STVR is based on ASB performance measures. 50% of any STVR will be deferred in restricted shares and vest equally over two years, and 50% payable in cash. LTVR of 180% of fixed remuneration. LTVR will be based 50% on Group relative TSR, 25% relative ASB trust and reputation and 25% absolute employee engagement.

The CEO ASB is subject to the Group's mandatory shareholding requirement, whereby CBA shares equal to 200% of FR must be accumulated over a five year period from 1 July 2018.

## Other Executives

While acting in Group Executive roles during the 2019 financial year, George Confos (1 July 2018 to 31 July 2018), Alan Docherty (1 July 2018 to 14 October 2018) and Paul Newham (1 July 2018 to 30 September 2018) each received a cash allowance to recognise the additional accountability and responsibilities of their respective roles. This cash allowance ceased at the conclusion of their acting role appointments.

The STVR for Other Executives is calculated as a percentage of base remuneration (before superannuation). Two-thirds of their STVR is paid in cash and the remaining one-third is deferred into equity that vests in three equal tranches over three years.

For the period they were Accountable Persons, deferred remuneration requirements under the BEAR were met. 60% paid in cash and 40% deferred into equity for four years (unless the de minimis threshold of \$50,000 applies).

Other Executives did not participate in the LTVR plan during the 2019 financial year.

### 3. CEO, Group Executives and CEO ASB mandatory shareholding requirement

The following table presents the position of the CEO, Group Executives and CEO ASB against the mandatory shareholding requirement as at 30 June 2019:

Executive	Current shareholding (% of FR) <sup>1</sup>	Shareholding requirement (% of FR)	Position against requirement and deadline
Matt Comyn	183%	300%	Below – 9 Apr 2023
Adam Bennett	190%	200%	Below – 12 Jan 2020
Pascal Boillat	329%	200%	Meets
David Cohen	359%	200%	Meets
Alan Docherty	72%	200%	Below – 15 Oct 2023
Andrew Hinchliff	114%	200%	Below – 1 Aug 2023
Anna Lenahan	185%	200%	Below – 28 Nov 2021
Sian Lewis	70%	200%	Below – 1 Aug 2023
Vittoria Shortt	113%	200%	Below – 1 Jul 2023
Angus Sullivan	105%	200%	Below – 1 Jul 2023
Nigel Williams	217%	200%	Meets

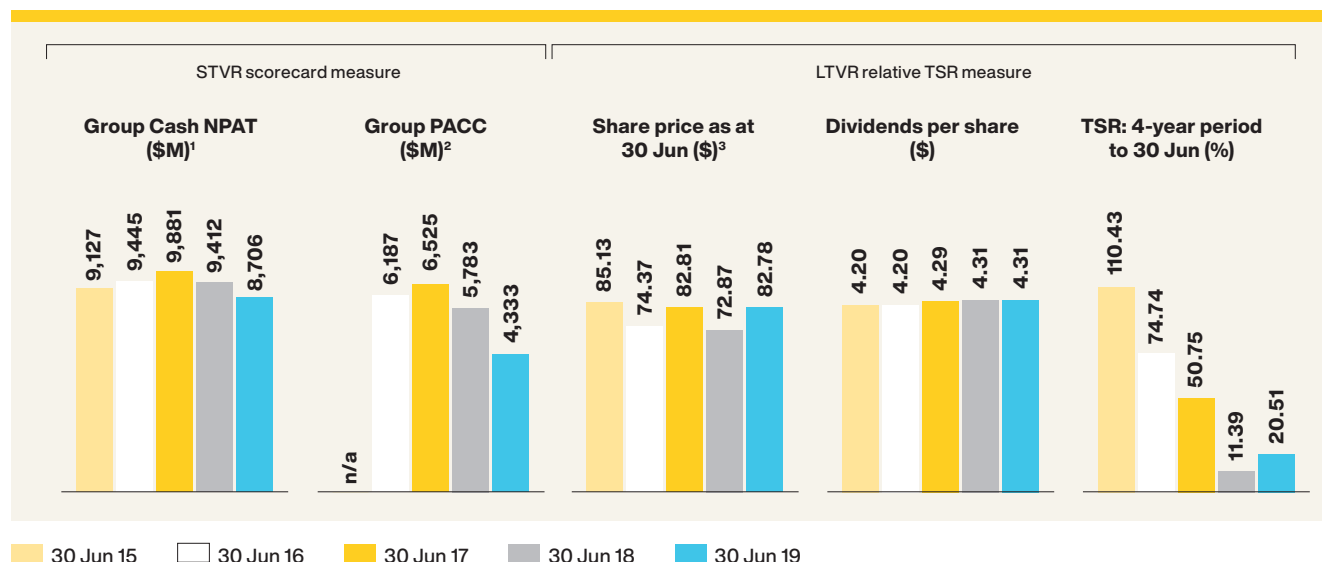
1 Represents percentage of full-year contractual FR (based on CBA closing share price on 30 June 2018 of \$72.87). Shareholdings include fully paid ordinary CBA shares and unvested equity awards with service based hurdles held by the Executive and/or certain related parties.

### 4. Performance and remuneration outcomes

Remuneration varies with short and long-term performance outcomes

Group financial performance

The graph and table below shows the link between CEO and Group Executive remuneration outcomes and the Group's financial performance over the past five financial years (including the 2019 financial year).



1 Group Cash NPAT includes discontinued operations.

2 Due to methodology changes, comparatives for Group Profit after Capital Charge (PACC) have only been provided for the 2016, 2017, 2018 and 2019 financial years.

3 CBA opening share price on 1 July 2014 was \$80.65.

Remuneration outcomes	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 18	30 Jun 19
STVR outcome (average % of maximum)	78%	75%	0% <sup>1</sup>	19% <sup>2</sup>	44%
LTVR vesting outcome (% of maximum)	86%	20%	67%	24%	24%

1 The STVR outcomes for the CEO and Group Executives were adjusted downwards to zero, reflecting collective accountability for the overall reputation of the Group and risk and reputation matters.

2 As a consequence of the APRA Prudential Inquiry Report, the Board applied a negative adjustment of 20% to the 2018 financial year performance scorecard outcomes for each current Group Executive and assessed individual risk outcomes as Partially Met to reflect collective accountability for the APRA Prudential Inquiry Report findings. Further negative risk adjustments to STVR outcomes were also made to reflect individual accountability relating to the individual for other risk and reputation matters separate from the APRA Prudential Inquiry Report findings.



## Short term variable remuneration

### 2019 financial year STVR award – key features

The table below outlines key features of the 2019 financial year STVR award for the Executives. Refer to page 31 for treatment of STVR on cessation of employment.

Features	Approach																		
Purpose	Reward annual performance, with balanced focus on customer, people, strategic and shareholder outcomes, incorporating both risk and reputation and values assessments. Recognises both the "how" and the "what" of performance.																		
Participants	All Executives																		
Opportunity	<table><tr><th>Executives</th><th>Target STVR</th><th>Maximum STVR</th></tr><tr><td>CEO and Group Executives (excluding Group CRO)</td><td>100% of FR</td><td>150% of FR</td></tr><tr><td>Group CRO</td><td>75% of FR</td><td>112.5% of FR</td></tr><tr><td>CEO ASB</td><td>150% of base remuneration<sup>1</sup></td><td>324% of base remuneration</td></tr><tr><td>Other Executives<sup>2</sup></td><td>n/a</td><td>130% – 170% of base remuneration</td></tr></table> <p>1 Assumes ASB STVR pool is at target. 2 Where STVR maximum % is specified.</p>	Executives	Target STVR	Maximum STVR	CEO and Group Executives (excluding Group CRO)	100% of FR	150% of FR	Group CRO	75% of FR	112.5% of FR	CEO ASB	150% of base remuneration <sup>1</sup>	324% of base remuneration	Other Executives <sup>2</sup>	n/a	130% – 170% of base remuneration			
Executives	Target STVR	Maximum STVR																	
CEO and Group Executives (excluding Group CRO)	100% of FR	150% of FR																	
Group CRO	75% of FR	112.5% of FR																	
CEO ASB	150% of base remuneration <sup>1</sup>	324% of base remuneration																	
Other Executives <sup>2</sup>	n/a	130% – 170% of base remuneration																	
CEO and Executive performance measures and weightings	<p>Individual STVR outcomes are determined on the basis of Group (or ASB for the CEO ASB) performance and individual performance through a balanced scorecard. The performance measures chosen support the delivery of the Group's strategy and reflect a mix of financial and non-financial outcomes to provide a balanced assessment of performance.</p> <p>Weighting of the financial/shareholder measure was reduced for the CEO and Group Executives to 30% to support a more balanced performance focus. Scorecard weightings cover financial/shareholder and non-financial measures linked to Group and business unit targets, and vary by role.</p> <table><tr><th>Role<sup>1</sup></th><th>Financial/ Shareholder</th><th>Non-Financial (split between customer, people and strategy)</th></tr><tr><td>CEO and Group Executives (excluding Group CRO)</td><td>30%</td><td>70%</td></tr><tr><td>Group CRO</td><td>10%</td><td>90% (40% is weighted towards delivering future fit risk management)</td></tr><tr><td>CEO ASB</td><td>40%</td><td>60%</td></tr></table> <p>1 For the Other Executives, weightings vary by individual with consideration to their business unit and/or support function priorities.</p>	Role <sup>1</sup>	Financial/ Shareholder	Non-Financial (split between customer, people and strategy)	CEO and Group Executives (excluding Group CRO)	30%	70%	Group CRO	10%	90% (40% is weighted towards delivering future fit risk management)	CEO ASB	40%	60%						
Role <sup>1</sup>	Financial/ Shareholder	Non-Financial (split between customer, people and strategy)																	
CEO and Group Executives (excluding Group CRO)	30%	70%																	
Group CRO	10%	90% (40% is weighted towards delivering future fit risk management)																	
CEO ASB	40%	60%																	
Modifier(s)	<p>Once the balanced scorecard has been assessed and performance outcomes have been determined, that outcome is subject to the following modifiers:</p> <ul style="list-style-type: none"><li>• <b>Values:</b> the Board<sup>1</sup> has the discretion to adjust Executive STVR outcomes upwards or downwards including to zero where appropriate.</li><li>• <b>Risk and reputation:</b> the Board<sup>1</sup> has the discretion to adjust Executive STVR outcomes downwards including to zero where appropriate.</li></ul> <p>1 'Board' is to be read as ASB Board in respect of discretion for the CEO ASB's STVR outcomes.</p>																		
Calculation of awards	<p>STVR awards for the CEO and Executives<sup>1</sup> (excluding the CEO ASB) are calculated as follows:</p> <table><tr><th>Opportunity</th><th></th><th>Unadjusted outcome</th><th></th><th>Modifiers</th><th></th><th>Adjusted outcome</th></tr><tr><td>FR \$</td><td>x</td><td>Target STVR opportunity %<sup>1</sup></td><td>x</td><td>Performance scorecard result %<sup>2</sup></td><td>→</td><td>Values</td><td>→</td><td>Risk and reputation</td><td>=</td><td>Value of adjusted STVR award \$</td></tr></table> <p>1 Maximum STVR opportunity for Other Executives (where there is a specified maximum %). 2 The Board retains discretion to adjust scorecard outcomes.</p>	Opportunity		Unadjusted outcome		Modifiers		Adjusted outcome	FR \$	x	Target STVR opportunity % <sup>1</sup>	x	Performance scorecard result % <sup>2</sup>	→	Values	→	Risk and reputation	=	Value of adjusted STVR award \$
Opportunity		Unadjusted outcome		Modifiers		Adjusted outcome													
FR \$	x	Target STVR opportunity % <sup>1</sup>	x	Performance scorecard result % <sup>2</sup>	→	Values	→	Risk and reputation	=	Value of adjusted STVR award \$									
Deferral	<ul style="list-style-type: none"><li>• <b>CEO and Group Executives<sup>1</sup>:</b> 50% of the STVR award is deferred and delivered in deferred shares that vest in equal tranches over one and two years.</li><li>• <b>CEO ASB:</b> 40% of the STVR award is deferred and delivered in deferred shares that vest after four years.</li><li>• <b>Other Executives:</b> One-third of the STVR award is deferred and delivered in deferred shares that vest in equal tranches over one, two and three years<sup>1</sup>.</li></ul> <p>All deferred STVR awards are subject to applicable Board (or ASB Board for CEO ASB) risk and reputation review prior to vesting. Please see page 31 for an overview of the treatment of deferred STVR awards on termination.</p> <p>1 For the period they were Accountable Persons, deferred remuneration requirements under the BEAR were met for former Executives.</p>																		

## STVR performance outcomes in the financial year ended 30 June 2019 – CEO

The Board's assessment of the CEO's performance in the 2019 financial year is outlined below.

<b>Key:</b> ● = Actual result							
<b>Threshold</b>		50% – Board assesses CEO has met the threshold level of performance.					
<b>Target</b>		100% – Board assesses CEO has met the expected performance level in all aspects.					
<b>Above expectations</b>		150% – Board assesses CEO has substantially exceeded the expected performance level.					
Measure	Weighting %	Threshold 50%	Target 100%	Above Expectations 150%	% of STVR target (100% of FR)	% of STVR maximum (150% of FR)	Commentary
<b>Performance scorecard</b>							
<b>Financial/Shareholder</b>							
Group cash NPAT	15%	●			0%	0%	● Below threshold in Group cash NPAT (including discontinued operations) (Target:\$10,134m, Actual: \$8,706m).
Group underlying PACC	15%	●			0%	0%	● Below threshold in Group underlying PACC (Target: \$6,348m, Actual: \$4,333m).
<b>Customer</b>							
NPS outcomes for consumer and business customers (six-month rolling)	5%	●			0%	0%	● Consumer and Business NPS results were below target (Consumer Target +2, Actual -10, Business Target -15, Actual -22.4).
Complaints remediation	5%		●		5%	3%	● Personal leadership and focus on complaints management across the Group. ● Strong progress on open aged complaints and external dispute resolution complaints.
<b>People</b>							
Group people measure results (culture, talent, diversity, safety and wellbeing)	10%			●	13%	8%	● Strong personal leadership and visibility in the organisation has contributed to restoring employee confidence and greater risk awareness. ● Employee engagement levels stabilised in April 2019 survey in a challenging environment, and strong increase in employee connection with the Group's purpose was evidenced. ● Executive Team refresh, including key talent in senior leader population (particularly Risk, Digital, and Information Security roles). ● Zero non-conformance recorded in 2019 external Health and Safety self insurance audit.
<b>Strategy</b>							
Progress on and quality of implementation of the APRA RAP	30%		●		30%	20%	● Developed and implemented Better Risk Outcomes Program (BROP) to address APRA Prudential Inquiry Report recommendations and deliver on the RAP. ● Independent reviewer, Promontory, assessed the RAP delivery "on track", with strong leadership support. As at 30 June 2019, 48% of milestones have been delivered in line with the schedule.
Progress on the delivery of Group Strategic Priorities (including shared priority dashboard)	20%			●	28%	19%	● Focused organic capital generation through performance and capital discipline. ● Sale of Colonial First State Global Asset Management to MUFG Bank Ltd delivering significant value to the Group. ● Better for You initiatives improved CBA brand sentiment. ● Continued execution on complex divestment of Wealth business, including Colonial Mutual Life Assurance Society Limited. ● New Group Regulatory Engagement Standard embedded, requiring more open and transparent approach to engaging with regulators. ● Group-wide Simplification Program established to drive cost reduction and create capacity to invest in our core. ● Industry-leading digital customer experience and security, with banking app rated best in the Australia and third best globally.
<b>Overall STVR CEO outcome</b>					<b>76%</b>	<b>50%</b>	
<b>STVR modifiers</b>							
<b>Values</b>	Exceptionally Demonstrated			No adjustment	● Extensive and positive engagement across a range of stakeholders (political, regulatory, customer and investor). ● Led the establishment and embedding of new Purpose, Values, Code of Conduct and 'Should We'.		
<b>Risk and reputation</b>	Partially Met			-10% reduction	● Reputational impacts arising from Royal Commission. ● Substantial improvement in identification, management and governance of non-financial risk. ● Strong progress on risk culture maturity, including through launch of Better Bank Leadership Program, however remains an ongoing focus.		
<b>Overall adjusted STVR CEO outcome</b>					<b>68%</b>	<b>45%</b>	

## STVR performance outcomes in the financial year ended 30 June 2019 – Executives

The following table provides the 2019 financial year STVR outcomes for Executives for the period they were KMP. The minimum potential outcome is zero.

	STVR target	STVR actual			STVR actual as a % of STVR target	STVR actual as a % of STVR maximum
		Total	Cash	Deferred		
	\$	\$	\$	\$	%	%
<b>CEO</b>						
Matt Comyn	2,200,000	1,494,900	747,450	747,450	68%	45%
<b>Current Executives</b>						
Adam Bennett	1,049,580	489,368	244,684	244,684	47%	31%
Pascal Boillat <sup>1</sup>	1,121,918	707,650	353,825	353,825	63%	42%
David Cohen <sup>2</sup>	1,200,000	696,436	348,218	348,218	58%	39%
Alan Docherty <sup>3</sup>	908,527	582,592	291,296	291,296	64%	46%
Andrew Hinchliff <sup>1</sup>	915,068	605,776	302,888	302,888	66%	44%
Anna Lenahan	865,000	554,681	332,809	221,872	64%	43%
Sian Lewis <sup>1</sup>	754,932	521,658	260,829	260,829	69%	46%
Vittoria Shortt <sup>4</sup>	1,406,141	1,567,962	940,777	627,185	112%	52%
Angus Sullivan	1,050,000	749,000	374,500	374,500	71%	48%
Nigel Williams <sup>1</sup>	709,110	553,638	276,819	276,819	78%	52%
<b>Former Executives</b>						
George Confos <sup>5,6</sup>	n/a	70,951	47,301	23,650	n/a	n/a
Coen Jonker <sup>6</sup>	462,861	299,008	179,405	119,603	65%	43%
Paul Newham <sup>5,6</sup>	245,753	188,002	112,801	75,201	n/a	77%
Michael Venter <sup>5,6</sup>	456,221	222,636	133,582	89,054	n/a	49%

1 Newly appointed Executives' STVR awards reflects their time in the role. Pascal Boillat (1 October 2018 to 30 June 2019), Andrew Hinchliff (1 August 2018 to 30 June 2019), Sian Lewis (1 August 2018 to 30 June 2019) and Nigel Williams (5 November 2018 to 30 June 2019).

2 David Cohen was appointed to the Deputy CEO role effective 5 November 2018. His STVR target reflects his time in both the Group CRO role (1 July 2018 to 4 November 2018) and Deputy CEO role (5 November 2018 to 30 June 2019).

3 Alan Docherty was acting in the Group Executive, Financial Services and Chief Financial Officer role before being appointed to the role permanently effective 15 October 2018. The values in the table above reflects his time in both acting (1 July 2018 to 14 October 2018) and permanent (15 October 2018 to 30 June 2019) appointments. Note, while acting in the role, Alan's STVR maximum was 130% of base remuneration.

4 As detailed on page 17, for the 2019 financial year Vittoria Shortt only participated in the STVR plan and was not eligible for LTVR. STVR target represents the reference value of 120% of base salary multiplied by ASB STVR pool multiplier at target (125%). From 1 July 2019, the CEO ASB's remuneration structure will more closely align to the Group Executives (including incorporation of a LTVR and reduction in STVR opportunity).

5 Other Executives' STVR target shown above reflects their STVR maximum (excluding George Confos). Paul Newham's and Michael Venter's STVR maximum is 170% of base remuneration. George Confos' arrangement does not specify an STVR target and/or maximum.

6 Former Executives' remuneration reflects their time in the KMP role. George Confos (1 July 2018 to 31 July 2018), Coen Jonker (1 July 2018 to 31 December 2018), Paul Newham (1 July 2018 to 30 September 2018) and Michael Venter (1 July 2018 to 2 December 2018).

## Long term variable remuneration

### 2019 financial year LTVR award – key features

The table below outlines key features of the 2019 financial year LTVR for the CEO and Group Executives. Refer to page 31 for treatment of LTVR on cessation of employment.

Features	Approach
<b>Purpose</b>	To align participants with achievement of superior performance for key stakeholder groups – being customers, the community, our people and shareholders. The LTVR aims to support creation of sustainable long-term shareholder value, drive positive culture and engagement in the Group, and re-build trust with our customers and the community.
<b>Participants</b>	CEO and Group Executives.
<b>Opportunity</b>	The maximum face value of LTVR that can be granted for the CEO and Group Executives, excluding the Group CRO, is 180% of FR. The maximum face value of LTVR that can be granted for the Group CRO is 150% of FR. The minimum potential outcome value is zero.
<b>Performance period</b>	Four years from 1 July 2018 to 30 June 2022.
<b>Instrument</b>	Rights – each right entitles the participant to receive one CBA share, subject to meeting performance measures.
<b>Allocation approach</b>	<p>Maximum face value allocation approach. The number of rights granted are calculated as follows for the CEO and Group Executives:</p> <div style="display: flex; align-items: center; justify-content: center;"> <div style="border: 1px solid black; padding: 5px; margin: 0 10px;">FR (at time of grant) \$</div> <div style="margin: 0 10px;">x</div> <div style="border: 1px solid black; padding: 5px; margin: 0 10px;">180%<sup>1</sup></div> <div style="margin: 0 10px;">÷</div> <div style="border: 1px solid black; padding: 5px; margin: 0 10px;">Share price (no discount applied) \$</div> <div style="margin: 0 10px;">=</div> <div style="border: 1px solid black; padding: 5px; margin: 0 10px;">Number of rights</div> </div> <p>Share price: The share price used was the Volume Weighted Average Price of CBA's ordinary shares over the five trading days up to 1 July 2018.</p> <p><sup>1</sup> 150% for the Group CRO</p>
<b>Dividend payments</b>	No dividends or dividend equivalent payments are provided on rights.
<b>Board discretion</b>	<p>The total LTVR award is subject to Board risk and reputation review prior to vesting, and can be reduced to zero.</p> <p>The Board has discretion to determine that some or all of the award will lapse in certain circumstances (malus), including where, in the opinion of the Board:</p> <ul style="list-style-type: none"> <li>the vesting of rights is not justified or supportable, having regard to the participant's performance and/or conduct, the performance of the business unit or function (as relevant having regard to the participant's accountability or role), or the overall Group performance</li> <li>the vesting of rights will impact on the financial soundness of the Group or a member of the Group</li> <li>a significant unexpected or unintended consequence or outcome has occurred, including where original expected performance outcomes have not been realised.</li> </ul>

Performance measures	Approach										
<b>75% TSR (relative)</b> <ul style="list-style-type: none"> <li>TSR measures a company's share price movement, dividends paid and any return on capital over a specific period.</li> <li>Relative TSR compares the ranking of CBA TSR over the performance period with the TSR of other companies in a peer group.</li> </ul>	<p><b>Peer group</b></p> <ul style="list-style-type: none"> <li>The peer group is made up of the 20 largest companies on the ASX by market capitalisation at the beginning of the performance period, excluding resources companies, and CBA<sup>1</sup>.</li> <li>This cross-industry peer group has been chosen as it represents the typical portfolio of companies in which CBA's shareholders invest, and so provides valid benchmarks for measuring against the CBA's TSR.</li> </ul> <p><b>Vesting framework</b></p> <table> <tr> <th>Peer group ranking</th><th>Vesting %</th></tr> <tr> <td>At the 75th percentile or higher</td><td>100%</td></tr> <tr> <td>Between the median and 75th percentile</td><td>Pro-rata vesting from 50% to 100%</td></tr> <tr> <td>At the median</td><td>50%</td></tr> <tr> <td>Below the median</td><td>0%</td></tr> </table> <p><b>Calculation of results</b></p> <p>Each company in the peer group will be given a percentile ranking based on the growth in its TSR over the four-year performance period.</p> <p>TSR outcomes are calculated by an independent provider, Orient Capital.</p>	Peer group ranking	Vesting %	At the 75th percentile or higher	100%	Between the median and 75th percentile	Pro-rata vesting from 50% to 100%	At the median	50%	Below the median	0%
Peer group ranking	Vesting %										
At the 75th percentile or higher	100%										
Between the median and 75th percentile	Pro-rata vesting from 50% to 100%										
At the median	50%										
Below the median	0%										

**Reason for selection:** Provides a direct link between Executive reward and shareholder returns, for alignment with our shareholders.



**Performance measures****Approach****12.5% Trust and reputation (relative)**

- Measured against the independent RepTrak® pulse score survey conducted by the Reputation Institute, which uses a set of four equally weighted questions to test the trust, respect and admiration a respondent has for a particular company. Our score over the performance period is compared with the performance over the same period of a peer group.
- The RepTrak® pulse score survey is conducted quarterly.

**Reason for selection:** The Board recognises the critical importance for the Group and the industry of rebuilding and improving the trust of customers and the broader community. This is a key factor in enhancing long-term financial performance and value to shareholders.

**Peer group**

- The peer group of the 16 largest consumer-facing companies listed on the ASX by market capitalisation at the beginning of the performance period, excluding resource companies, companies that are not familiar to the general public, companies that do not operate nationally, and CBA<sup>2</sup>.
- This cross-industry peer group has been chosen to ensure that the CBA focuses on delivering trust and reputation outcomes that are among the best in class for all customer-focused industries, not just financial services.

**Vesting framework**

Peer group ranking	Vesting %
At the 75th percentile or higher	100%
Between the median and 75th percentile	Pro-rata vesting from 50% to 100%
At the median	50%
Below the median	0%

**Calculation of results**

The opening pulse score for each company will be based on the average of the March, June and September 2018 surveys, while the closing pulse score will be based on the November 2021, March and June 2022 surveys.

Each company in the peer group will be given a percentile ranking based on the change in its pulse score over the four-year performance period.

**12.5% Employee engagement (absolute)**

- Employees of CBA are invited to participate in an externally conducted online survey.
- The Employee Engagement Index (EEI) is calculated using particular questions from the survey.
- EEI is based on the proportion of employees responding that they "strongly agree" or "agree" with the four questions relating to satisfaction, commitment, advocacy and pride (each of which is equally weighted).

**Reason for selection:** The Board considers that an engaged workforce results in greater productivity and a better customer experience, and that builds overall value for the Group. It is important the Group's employees are its advocates, committed to our purpose, values and strategy.

**Target setting**

The target and stretch levels of performance have been set by the Board having regard for the IBM Kenexa gap closure method and global benchmark scores provided by IBM Kenexa, and CBA's EEI baseline relevant to the award. Executives will only be rewarded for achieving improvements in employee engagement.

**Vesting framework**

EEI score	Vesting %
80% or higher	100%
Between 75% and 80%	Pro-rata vesting from 50% to 100%
75%	50%
Below 75%	0%

**Calculation of results**

The surveys will be conducted by an independent provider who will facilitate and collate the EEI results. The change in the EEI scores between the March 2018 EEI score of 72% and the March 2022 score will be used to determine the level of vesting.

1 The peer group at the beginning of the performance period for the TSR performance hurdle comprised: AGL Limited, Amcor Limited, Aristocrat Leisure Limited, Australia & New Zealand Banking Group Limited, Brambles Limited, Cimic Group Limited, CSL Limited, Goodman Group, Insurance Australia Group Limited, Macquarie Group Limited, National Australia Bank Limited, ResMed Inc, Scentre Group, Suncorp Group Limited, Sydney Airport, Telstra Corporation Limited, Transurban Group, Wesfarmers Limited, Westpac Banking Corporation and Woolworths Limited. The reserve bench comprised QBE Insurance Group Limited, Treasury Wine Estates Limited, ASX Limited, REA Group Ltd and APA Group. A reserve bench company will be substituted (in order of market capitalisation as at the beginning of the performance period) into the peer group when a peer group company ceases to be listed on the ASX as a result of an acquisition, merger or other relevant corporate action or delisting.

2 The peer group at the beginning of the performance period for the trust and reputation performance hurdle comprised: AGL Limited, AMP Limited, Australia & New Zealand Banking Group Limited, Crown Resorts Limited, Insurance Australia Group Limited, Lendlease Group Limited, Macquarie Group Limited, National Australia Bank Limited, Qantas Limited, QBE Insurance Group Limited, Stockland Corporation Limited, Suncorp Group Limited, Telstra Corporation Limited, Wesfarmers Limited, Westpac Banking Corporation and Woolworths Limited. The reserve bench comprised Medibank Private Limited, Coca-Cola Amatil Limited, Flight Centre Travel Group Limited and Bendigo and Adelaide Bank Limited. A reserve bench company will be substituted (in order of market capitalisation as at the beginning of the performance period) into the peer group when a peer group company ceases to be listed on the ASX as a result of an acquisition, merger or other relevant corporate action or delisting.

A positive TSR gateway is applied to the non-financial performance measures (trust and reputation, employee engagement), such that no vesting on these measures occurs unless the change in shareholder value is positive.

## LTVR performance outcomes for the financial year ended 30 June 2019

The 2016 financial year LTVR award reached the end of its four-year performance period on 30 June 2019 and vested at 24.31%, with 75.69% of the LTVR award lapsing.

Performance measure	Percentage of award	Performance outcome	Vesting outcome
Relative TSR	75.32%	35 <sup>th</sup> percentile ranking relative to TSR peer group	0%
Relative customer satisfaction <sup>1</sup>	24.68%	<p>Average result by business over performance period:</p> <ul style="list-style-type: none"> <li>retail main financial institution (MFI) customer satisfaction = 1.02</li> <li>wealth management customer satisfaction = 1.17</li> <li>business MFI customer satisfaction = 1.00</li> </ul> <p>Total weighted average ranking = 1.03</p>	98.50%

1 Vesting outcome for relative customer satisfaction is calculated based on the weighted average ranking across the three independent surveys (weighted by the business area's contribution to NPAT at the beginning of the performance period). Relative customer satisfaction vests at 50% if the weighted average ranking is 2nd and 100% if the weighted average ranking is 1st, with straight line vesting in between.

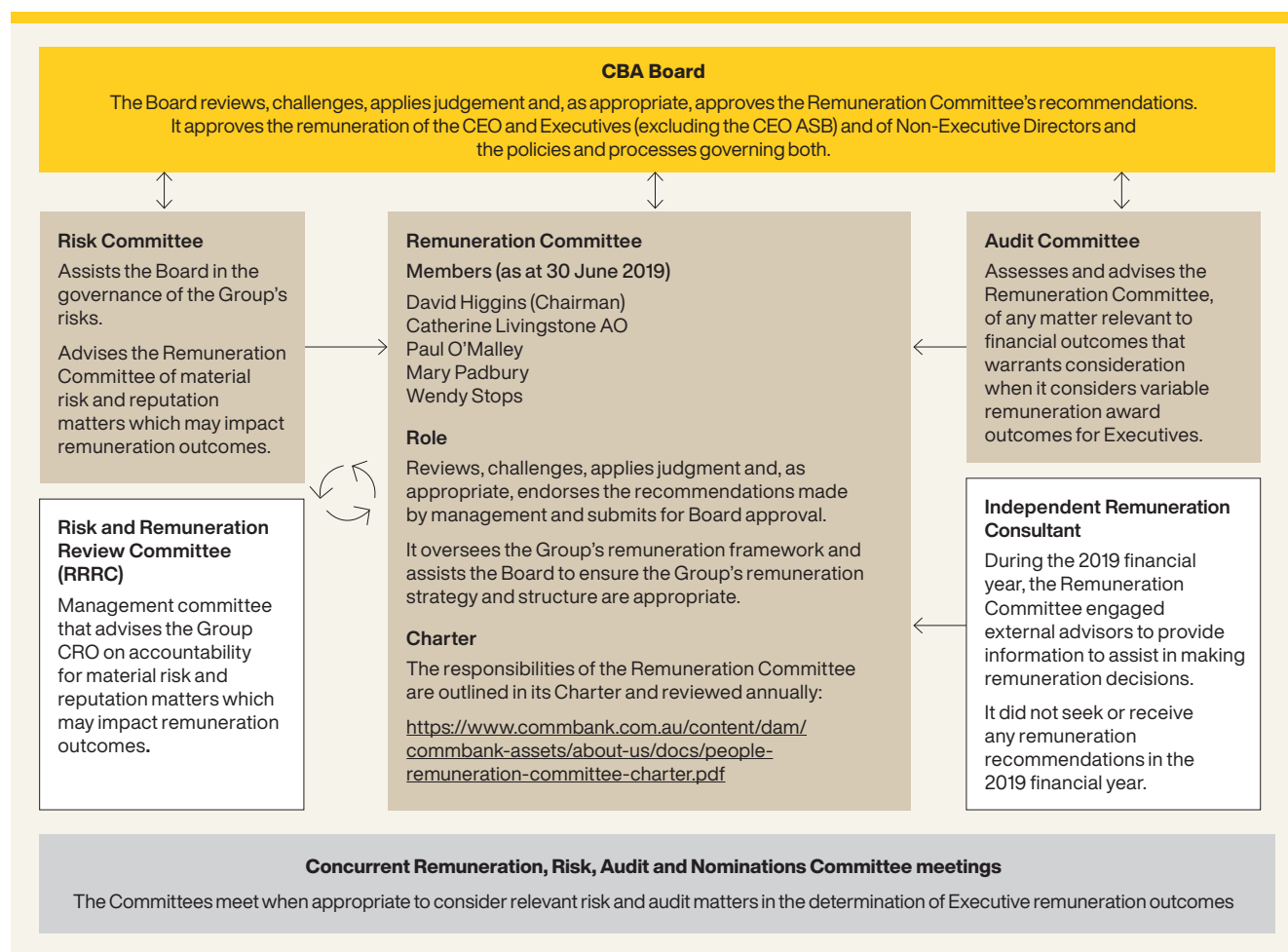
## 5. Remuneration governance

The Remuneration Committee is the governing body for developing, monitoring and assessing remuneration strategy, policies and practices across CBA on behalf of the Board. The Remuneration Committee met formally 10 times during the 2019 financial year.

As part of the performance and risk review, to support the determination of remuneration outcomes for the CEO and Executives (excluding the CEO ASB), the Remuneration Committee met with the Risk and Audit Committees in February 2019 and June 2019. These meetings provided an opportunity for the Committees to review and discuss relevant risk and audit matters, including appropriate variable remuneration consequences for the matters raised, and provide direct input into the determination of variable remuneration outcomes and any in-year or malus adjustments for the CEO and Executives (excluding CEO ASB) in the 2019 financial year.

Information provided to the Board Committees to support their determinations included risk scorecards, details of material risk and reputation matters, including outcomes of internal audit reviews conducted during the year and consideration of on the quality of financial results.

The following diagram illustrates CBA's remuneration governance framework.



## 6. Executive statutory remuneration disclosures

### Executive statutory remuneration

The following statutory table details the statutory accounting expense of all remuneration-related items for the Group's Executives. This includes remuneration costs in relation to both the 2018 and 2019 financial years. The tables are different from the remuneration outcomes table on page 14, which shows the remuneration received in the 2019 financial year rather than the accrual accounting amounts determined in accordance with the Australian Accounting Standards. The tables have been developed and audited against the relevant Australian Accounting Standards. Refer to the footnotes below each table for more detail on each remuneration component.

	FR <sup>1</sup>		Other short-term benefits			Long-term benefits		Share-based payments			Total statutory remuneration <sup>10</sup>
	Base remuneration <sup>2</sup>	Superannuation	Non-monetary <sup>3</sup>	Cash STVR (at risk) <sup>4</sup>	Other <sup>5</sup>	Long-term <sup>6</sup>	Deferred STVR (at risk) <sup>7</sup>	Deferred equity (at risk) <sup>8</sup>	LTVR equity (at risk) <sup>9</sup>	Termination benefits	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>CEO</b>											
<b>Matt Comyn</b>											
30 Jun 19	2,179,469	20,531	16,928	747,450	91,672	98,034	–	–	1,204,552	–	4,358,636
30 Jun 18	1,292,075	23,874	15,726	–	266,686	198,599	–	–	1,162,327	–	2,959,287
<b>Current Executives</b>											
<b>Adam Bennett</b>											
30 Jun 19	1,024,580	25,000	16,928	244,684	7,644	34,629	–	141,240	1,018,078	–	2,512,783
30 Jun 18	1,024,580	25,000	16,911	225,988	5,293	58,981	–	51,962	974,726	–	2,383,441
<b>Pascal Boillat</b>											
30 Jun 19	1,106,561	15,356	11,583	353,825	322,213	6,612	–	2,357,718	183,916	–	4,357,784
<b>David Cohen</b>											
30 Jun 19	1,177,914	22,086	16,928	348,218	26,087	38,147	–	163,350	1,133,049	–	2,925,779
30 Jun 18	1,175,000	25,000	16,911	261,300	(40,808)	56,646	–	–	1,150,959	–	2,645,008
<b>Alan Docherty</b>											
30 Jun 19	924,746	20,531	16,928	291,296	11,393	237,972	–	167,426	125,676	–	1,795,968
30 Jun 18	95,994	2,637	2,270	51,966	6,791	4,018	–	23,222	–	–	186,898
<b>Andrew Hinchliff<sup>11</sup></b>											
30 Jun 19	896,281	18,788	15,520	302,888	84,714	33,247	–	331,132	122,606	–	1,805,176
<b>Anna Lenahan<sup>12</sup></b>											
30 Jun 19	844,469	20,531	16,928	332,809	12,743	(10,285)	221,872	357,116	1,846,755	–	3,642,938
30 Jun 18	844,951	20,049	16,911	249,120	49,351	6,993	–	533,239	440,478	–	2,161,092
<b>Sian Lewis<sup>11</sup></b>											
30 Jun 19	736,144	18,788	15,520	260,829	14,566	35,812	–	151,824	101,156	–	1,334,639
<b>Vittoria Shortt<sup>11,13</sup></b>											
30 Jun 19	937,427	56,346	9,926	940,777	24,021	28,732	–	310,192	529	–	2,307,950
30 Jun 18	497,554	14,863	9,913	97,424	(37,597)	(120,140)	97,424	33,852	2,113,398	–	2,706,691
<b>Angus Sullivan</b>											
30 Jun 19	1,029,469	20,531	15,379	374,500	47,688	97,018	–	183,493	128,740	–	1,896,818
30 Jun 18	109,224	5,685	3,586	78,641	8,480	2,168	–	61,180	–	–	268,964
<b>Nigel Williams</b>											
30 Jun 19	932,092	13,388	11,162	276,819	178,338	5,604	–	2,117,055	148,148	–	3,682,606
<b>Former Executives</b>											
<b>George Confos<sup>11</sup></b>											
30 Jun 19	67,606	2,123	1,407	47,301	6,505	1,588	–	24,668	–	–	151,198
30 Jun 18	133,031	4,178	2,858	103,417	7,779	2,401	–	64,612	–	–	318,276
<b>Coen Jonker<sup>11,12,13</sup></b>											
30 Jun 19	461,243	1,618	–	179,405	149,469	–	119,603	330,150	464,383	807,820	2,513,691
30 Jun 18	845,827	2,967	–	203,710	461,814	231,089	–	189,362	95,845	–	2,030,614
<b>Melanie Laing<sup>11,12</sup></b>											
30 Jun 19	71,079	2,123	–	–	7,036	(88,069)	–	–	1,325,679	487,149	1,804,997
30 Jun 18	836,900	25,000	16,911	–	54,274	14,817	–	–	938,990	–	1,886,892
<b>Paul Newham<sup>11</sup></b>											
30 Jun 19	207,945	6,301	3,796	112,801	12,205	582	–	61,850	–	–	405,480
30 Jun 18	137,877	4,178	2,612	92,879	3,033	1,516	–	50,603	–	–	292,698
<b>Michael Venter<sup>11</sup></b>											
30 Jun 19	268,365	10,616	6,396	133,582	22,121	3,336	–	111,426	–	–	555,842
30 Jun 18	313,381	12,397	6,510	271,702	73,009	(9,953)	–	179,691	–	–	846,737

- 1 FR comprises base remuneration and superannuation (post-employment benefit). Superannuation contributions for Vittoria Shortt are made in line with the KiwiSaver employer contribution requirements (this includes the additional payment of \$28,223 payable on her cash STVR component). Superannuation contributions for Coen Jonker were made in line with Hong Kong Mandatory Provident Fund regulations.
- 2 Total cost of salary including cash salary, short-term compensated absences and any salary sacrificed benefits.
- 3 Cost of car parking (including associated fringe benefits tax).
- 4 For the CEO and Group Executives, 50% of the 2019 financial year STVR for performance during the 12 months to 30 June 2019 (payable in September 2019). For the Other Executives, two-thirds of the 2019 financial year STVR for performance during the 12 months to 30 June 2019 (payable in September 2019). For the CEO ASB, 60% of the 2019 financial year STVR for performance during the 12 months to 30 June 2019 (payable in August 2019). KiwiSaver is payable on cash STVR.
- 5 Includes company-funded benefits (including associated fringe benefits tax where applicable) and the net change in accrued annual leave. For Adam Bennett, this includes an adjustment to 2018 financial year accrued annual leave. For Coen Jonker this includes costs in relation to his Hong Kong assignment. For Pascal Boillat and Nigel Williams this includes costs in relation to relocation to Sydney. For Pascal Boillat, this also includes costs in relation to a housing allowance.
- 6 Long service entitlements accrued during the year as well as the impact of changes to long service leave valuation assumptions, which are determined in line with Australian Accounting Standards.
- 7 The deferred portion of the 2019 financial year STVR outcome for Anna Lenahan and Coen Jonker is deferred into cash over a two year period. The deferred portion of the 2018 financial year STVR outcome for Vittoria Shortt was also deferred into cash over a two year period.
- 8 2019 financial year expense for deferred STVR awarded under Group Executive and Executive General Manager arrangements, as well as sign-on and retention awards received as deferred rights and/or shares. These equity awards are subject to forfeiture if the Executive is dismissed or ceases to be employed by the Group as a result of resignation prior to the vesting date. Deferred 2019 financial year STVR will be expensed over the vesting period commencing 1 July 2019.
- 9 2019 financial year expense for the 2016, 2017, 2018 and 2019 financial year LTVR awards.
- 10 The percentage of 2019 financial year remuneration related to performance was: Matt Comyn 45%, Adam Bennett 56%, Pascal Boillat 12%, David Cohen 56%, Alan Docherty 33%, Andrew Hinchliff 42%, Anna Lenahan 66%, Sian Lewis 38%, Vittoria Shortt 54%, Angus Sullivan 36%, Nigel Williams 12%, George Confos 48%, Coen Jonker 44%, Melanie Laing 73%, Paul Newham 43% and Michael Venter 44%.
- 11 Remuneration reflects the individual's time in their respective KMP role(s). For Vittoria Shortt, prior year comparison reflects her previous role of Group Executive, Marketing and Strategy (for which she ceased as KMP on 2 February 2018).
- 12 The LTVR rights value for Anna Lenahan, Coen Jonker and Melanie Laing reflects the disclosable accruals for all previously granted LTVR awards that remain unvested following cessation of employment up to the end of each performance period. This means that up to three years of each unvested LTVR award expense has been brought forward and disclosed in total for the 2019 financial year, including those amounts which would otherwise have been included in future year disclosures and that may not vest. These LTVR awards remain on foot and will only vest subject to the achievement of the pre-determined performance conditions and Board risk and reputation review.
- 13 For Vittoria Shortt and Coen Jonker, remuneration was paid in New Zealand and Hong Kong dollars respectively and was impacted by movements in exchange rates.

#### Fair value assumptions for awards granted in the 2019 financial year

In the 2019 financial year a fair value allocation approach was used to determine the number of rights granted under the LTVR (refer to page 27). The table below is provided in accordance with statutory requirements. The fair value has been calculated using a Monte Carlo simulation method using the assumptions below. The exercise price is nil across all LTVR awards.

The fair value of rights under the trust and reputation and employee engagement performance measures is higher than for the relative TSR performance measure. This is expected because the likelihood of achieving a positive TSR over the performance period (i.e. the gate opener that applies to the trust and reputation and employee engagement tranches) is greater than the likelihood of achieving a relative TSR ranking higher than the median across the peer group.

Equity plan	Performance measure	Grant date	Fair value \$	Performance period end/final vesting date	Expected life (years)	Expected volatility %	Risk free rate %	Dividend yield %
FY19 LTVR rights	Relative TSR	12 Nov 18	33.57	30 Jun 22	3.63	15	2.29	5.83
	Trust and reputation (positive TSR gateway)	12 Nov 18	49.87	30 Jun 22	3.63	15	2.29	5.83
	Employee engagement (positive TSR gateway)	12 Nov 18	49.87	30 Jun 22	3.63	15	2.29	5.83
FY18 STVR Deferral <sup>1</sup>	Service	1 Sep 18	72.00	1 Sep 21	n/a	n/a	n/a	n/a
Sign-on Award – Pascal Boillat	Service	1 Oct 18	70.87	1 Mar 23	n/a	n/a	n/a	n/a
Sign-on Award – Nigel Williams	Service	5 Nov 18	68.52	22 Nov 21	n/a	n/a	n/a	n/a

- 1 For the Group Executive 2018 financial year STVR deferral, final vesting date will occur on 1 September 2020. For the Executive General Manager 2018 financial year STVR deferral, final vesting will occur on 1 September 2021.



## Equity awards received as remuneration

The table below details the value and number of all equity awards that were granted, vested, forfeited or lapsed to Executives during their time in a KMP role in 2019 financial year. It also shows the number of previous years' awards that vested during the 2019 financial year – some of which relate to past non-KMP roles.

		Granted during 2019 financial year <sup>2</sup>		Awards vested during 2019 financial year <sup>3</sup>		Forfeited or lapsed during 2019 financial year <sup>4</sup>	
	Class <sup>1</sup>	Units	\$	Units	\$	Units	\$
CEO							
Matt Comyn	LTVR reward rights	54,364	2,046,516	5,394	464,108	17,251	1,270,151
Current Executives							
Adam Bennett	LTVR reward rights	25,936	976,361	2,390	205,639	7,645	562,884
	Deferred STVR shares	3,139	226,008	–	–	–	–
	Deferred STVR rights	–	–	2,056	167,345	–	–
Pascal Boillat	LTVR reward rights	37,066	1,395,341	–	–	–	–
	Sign-on equity	82,660	5,858,114	14,879	1,052,765	–	–
David Cohen	LTVR reward rights	29,652	1,116,233	4,713	405,514	15,074	1,109,864
	Deferred STVR shares	3,630	261,360	–	–	–	–
Alan Docherty	LTVR reward rights	25,329	953,506	–	–	–	–
	Deferred STVR shares	2,745	197,640	–	–	–	–
	Deferred STVR rights	–	–	2,950	233,096	–	–
Andrew Hinchliff	LTVR reward rights	24,709	930,150	–	–	–	–
	Deferred STVR shares	6,019	433,368	–	–	–	–
	Deferred STVR rights	–	–	4,831	378,283	–	–
Anna Lenahan	LTVR reward rights	21,373	804,566	–	–	–	–
	Deferred STVR shares	3,460	249,120	–	–	–	–
	Sign-on equity	–	–	9,234	719,170	–	–
Sian Lewis	LTVR reward rights	20,386	767,423	–	–	–	–
	Deferred STVR shares	2,500	180,000	–	–	–	–
	Deferred STVR rights	–	–	2,848	223,942	–	–
Vittoria Shortt <sup>5</sup>	LTVR reward rights	–	–	1,468	126,309	4,692	345,461
	Deferred STVR rights	7,064	508,608	2,253	183,379	–	–
Angus Sullivan	LTVR reward rights	25,946	976,729	–	–	–	–
	Deferred STVR shares	2,402	172,944	–	–	–	–
	Deferred STVR rights	–	–	5,153	409,280	–	–
Nigel Williams	LTVR reward rights	29,858	1,123,996	–	–	–	–
	Sign-on equity	43,112	2,954,034	18,538	1,294,553	–	–
Former Executives							
George Confos	Deferred STVR shares	4,298	309,456	–	–	–	–
	Deferred STVR rights	–	–	7,786	619,619	–	–
Coen Jonker	Deferred STVR shares	2,960	213,120	–	–	–	–
	Deferred STVR rights	–	–	1,599	124,749	–	–
Melanie Laing	LTVR reward rights	–	–	4,425	380,734	14,153	1,042,053
Paul Newham	Deferred STVR shares	3,860	277,920	–	–	–	–
	Deferred STVR rights	–	–	6,158	490,144	–	–
Michael Venter	Deferred STVR shares	3,805	273,960	–	–	–	–
	Deferred STVR rights	–	–	6,262	524,970	–	–

- 1 Deferred STVR shares/rights represent STVR previously awarded under the Group Executive or Executive General Manager arrangements. Sign-on equity was awarded in the 2019 financial year in the form of deferred shares for Pascal Boillat and Nigel Williams, and deferred rights from prior years for Anna Lenahan.
- 2 Represents the maximum number of equity awards that may vest to each Executive in respect of their time as KMP. The values represent the fair value at grant date. The minimum potential outcome for the equity awards is zero.
- 3 Awards that vested include the 2015 financial year LTVR award (granted 18 September 2014, except for Adam Bennett the grant date was 12 February 2015 and for Vittoria Shortt the grant date was 7 May 2015), deferred STVR awards (vested in full) (tranches granted 1 September 2015, 1 September 2016 and 1 September 2017) and sign-on shares/rights (granted 28 November 2016, 1 October 2018 and 5 November 2018) that vested during time in KMP role. The value of the awards vested is calculated using VWACP for the five days preceding the vesting date, and includes the value of dividends accrued over the vesting period.
- 4 This includes the portion of the 2015 financial year LTVR award (76.18%) that did not meet the performance hurdle and lapsed. The value of the lapsed award is calculated using the VWACP for the five days preceding the lapse date.
- 5 Vittoria Shortt's LTVR awards are in relation to her Group Executive role prior to her becoming the CEO ASB.

## Overview of unvested equity awards

Equity plan	Grant date	Performance period/ vesting schedule		Performance measures/vesting conditions
		Start date	End date	
FY17 LTVR	22 Feb 17	1 Jul 16	30 Jun 20	Each award is split and tested: <ul style="list-style-type: none"> <li>• 75% TSR ranking relative to peer group</li> <li>• 25% customer satisfaction average ranking relative to peer group.</li> </ul> Subject to Board risk and reputation review and malus provisions.
FY18 LTVR	17 Nov 17	1 Jul 17	30 Jun 21	Each award is split and tested: <ul style="list-style-type: none"> <li>• 75% TSR ranking relative to peer group</li> <li>• 12.5% trust and reputation (relative to peer group) and 12.5% employee engagement (both measures are subject to a positive TSR gateway).</li> </ul> Subject to Board risk and reputation review and malus provisions.
FY19 LTVR	12 Nov 18	1 Jul 18	30 Jun 22	
FY18 STVR	1 Sep 18	1 Jul 17	30 Jun 18	Vesting to occur after 1 and 2 years, subject to: <ul style="list-style-type: none"> <li>• Continued employment;</li> <li>• Board risk and reputation review; and</li> <li>• Malus provisions.</li> </ul>
FY16 Executive General Manager STVR	1 Sep 16	1 Jul 15	30 Jun 16	Vesting to occur after 1, 2 and 3 years, subject to: <ul style="list-style-type: none"> <li>• Continued employment;</li> <li>• Board risk and reputation review; and</li> <li>• Malus provisions.</li> </ul>
FY17 Executive General Manager STVR	1 Sep 17	1 Jul 16	30 Jun 17	
FY18 Executive General Manager STVR	1 Sep 18	1 Jul 17	30 Jun 18	
Pascal Boillat sign-on equity	1 Oct 18	1 Apr 19	1 Mar 23	No performance measures. Subject to: <ul style="list-style-type: none"> <li>• Continued employment;</li> </ul>
Nigel Williams sign-on equity	5 Nov 18	1 Jan 19	22 Nov 21	<ul style="list-style-type: none"> <li>• Board risk and reputation review; and</li> <li>• Malus provisions.</li> </ul>

## Shares and other securities held by Executives

Details of the shareholdings and other securities held by Executives (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned hold significant voting power) are set out below relating to time in KMP role.

	Class <sup>1</sup>	Balance 1 Jul 18	Acquired/ granted as remuneration	Awards vested during the 2019 financial year <sup>2</sup>	Net change other <sup>3</sup>	Balance 30 Jun 19
<b>CEO</b>						
Matt Comyn	Ordinary	50,003	–	5,394	–	55,397
	LTVR reward rights	89,229	54,364	(5,394)	(17,251)	120,948
<b>Current Executives</b>						
Adam Bennett	Ordinary	19,825	–	4,446	–	24,271
	LTVR reward rights	73,763	25,936	(2,390)	(7,645)	89,664
	Deferred STVR shares	–	3,139	–	–	3,139
	Deferred STVR rights	2,056	–	(2,056)	–	–
Pascal Boillat	Ordinary	n/a	–	14,879	(14,879)	–
	LTVR reward rights	n/a	37,066	–	–	37,066
	Sign-on equity	n/a	82,660	(14,879)	–	67,781
David Cohen	Ordinary	56,944	–	4,713	(5,776)	55,881
	LTVR reward rights	89,349	29,652	(4,713)	(15,074)	99,214
	Deferred STVR shares	–	3,630	–	–	3,630
Alan Docherty	Ordinary	2,192	–	2,950	–	5,142
	LTVR reward rights	–	25,329	–	–	25,329
	Deferred STVR shares	–	2,745	–	–	2,745
	Deferred STVR rights	5,209	–	(2,950)	–	2,259
Andrew Hinchliff	Ordinary	n/a	–	4,831	–	4,831
	LTVR reward rights	n/a	24,709	–	–	24,709
	Deferred STVR shares	n/a	6,019	–	–	6,019
	Deferred STVR rights	n/a	–	(4,831)	9,638	4,807
Anna Lenahan	Ordinary	13,852	–	9,234	(4,617)	18,469
	LTVR reward rights	36,911	21,373	–	–	58,284
	Deferred STVR shares	–	3,460	–	–	3,460
	Sign-on equity	9,234	–	(9,234)	–	–
	PERLS	2,000	–	–	(2,000)	–
Sian Lewis	Ordinary	n/a	–	2,848	88	2,936
	LTVR reward rights	n/a	20,386	–	–	20,386
	Deferred STVR shares	n/a	2,500	–	–	2,500
	Deferred STVR rights	n/a	–	(2,848)	5,382	2,534
Vittoria Shortt <sup>4</sup>	Ordinary	11,384	–	3,642	–	15,026
	LTVR reward rights	60,173	–	(1,468)	(4,692)	54,013
	Deferred STVR rights	2,253	7,064	(2,253)	–	7,064

	Class <sup>1</sup>	Balance 1 Jul 18	Acquired/ granted as remuneration	Awards vested during the 2019 financial year <sup>2</sup>	Net change other <sup>3</sup>	Balance 30 Jun 19
Angus Sullivan	Ordinary	4,316	–	5,153	–	9,469
	LTVR reward rights	–	25,946	–	–	25,946
	Deferred STVR shares	–	2,402	–	–	2,402
	Deferred STVR rights	8,419	–	(5,153)	–	3,266
Nigel Williams	Ordinary	n/a	–	18,538	–	18,538
	LTVR reward rights	n/a	29,858	–	–	29,858
	Sign-on equity	n/a	43,112	(18,538)	–	24,574
<b>Former Executives</b>						
George Confos	Ordinary	1,685	–	7,786	(8,636)	n/a
	Deferred STVR shares	–	4,298	–	–	n/a
	Deferred STVR rights	12,332	–	(7,786)	–	n/a
	PERLS	330	–	–	200	n/a
Coen Jonker	LTVR reward rights	18,658	–	–	–	n/a
	Deferred STVR shares	–	2,960	–	–	n/a
	Deferred STVR rights	4,164	–	(1,599)	–	n/a
Melanie Laing	Ordinary	63,490	–	4,425	(4,425)	n/a
	LTVR reward rights	72,238	–	(4,425)	(14,153)	n/a
Paul Newham	Ordinary	4,932	–	6,158	–	n/a
	Deferred STVR shares	–	3,860	–	–	n/a
	Deferred STVR rights	9,729	–	(6,158)	–	n/a
Michael Venter	Ordinary	–	–	1,270	(1,270)	n/a
	Deferred STVR shares	–	3,805	–	–	n/a
	Deferred STVR rights	10,191	–	(6,262)	–	n/a

1 Ordinary shares include all CBA shares held by the Executive's related parties. LTVR reward rights are subject to performance hurdles. Deferred rights/shares represent the deferred STVR awarded under Group Executive and Executive General Manager arrangements, sign-on and retention awards. Both LTVR rights and deferred rights/shares are unvested as at 30 June 2019. The maximum potential outcome for LTVR rights and deferred rights/shares is subject to CBA share price at time of vesting.

2 LTVR rights and deferred rights/shares become ordinary shares or cash equivalent upon vesting.

3 Net change other incorporates changes resulting from purchases, sales, forfeitures during the year and shares or rights held by an Executive prior to their appointment as KMP.

4 Vittoria Shortt's LTVR awards are in relation to her Group Executive role prior to her becoming the CEO ASB.



## Executive employment arrangements

The table below provides the employment arrangements for current Executives.

Contract term	CEO	Group Executives	CEO ASB	Other Executives
<b>Contract type<sup>1</sup></b>	Permanent	Permanent	Permanent	Permanent
<b>Notice period</b>	12 months	6 months	6 months	3 months
<b>Severance</b>	n/a	n/a <sup>2</sup>	12 months <sup>2</sup>	3 months <sup>3</sup>
<b>Treatment of STVR on termination</b>	<ul style="list-style-type: none"> <li>Unless otherwise determined by the Board (or ASB Board in respect of the CEO ASB), Executives who resign or are dismissed are not eligible to receive an STVR award and will forfeit any unvested deferred STVR awards.</li> <li>Unless otherwise determined by the Board, where an Executive's exit is related to any other reason (e.g., retrenchment, retirement or death), the Executive may be eligible for an STVR award with regard to actual performance against performance measures (as determined by the Board in the ordinary course following the end of the performance period).</li> <li>Unless otherwise determined by the Board, where an Executive's exit is related to any other reason (e.g., retrenchment, retirement or death) unvested deferred STVR awards will remain on foot subject to the original terms and conditions and will vest in the ordinary course, as though the Executive had not ceased employment.</li> </ul>			
<b>Treatment of LTVR on termination</b>	<p>In general, unless otherwise determined by the Board:</p> <ul style="list-style-type: none"> <li>Executives who resign or are dismissed before the end of the performance period will forfeit all unvested LTVR awards; and</li> <li>Where an Executive's exit is related to any other reason (e.g., retrenchment, retirement or death), any unvested LTVR awards continue on-foot with performance measured at the end of the performance period related to each award.</li> </ul> <p>The CEO ASB and Other Executives are not eligible for LTVR.</p>			

1 Permanent contracts continue until notice is given by either party.

2 Contractual severance pay is no longer offered in Group Executive employment arrangements. Group Executives remain entitled to statutory redundancy pay if retrenched. For Group Executives on grandfathered arrangements, they are eligible for severance payments of six months' base remuneration if their employment is terminated by the Group, other than for misconduct or unsatisfactory performance. For the CEO ASB, contractual severance allows for minimum 12 months' base salary (inclusive of notice) or a maximum of 64 weeks in accordance with ASB Policy.

3 Contractual severance pay applies where employment is terminated due to redundancy.

## 7. Non-Executive Director arrangements

### Non-Executive Director fees

Non-Executive Directors receive fees to recognise their contribution to the work of the Board and the associated Committees on which they serve. Non-Executive Directors do not receive any performance-related remuneration.

The total amount of Non-Executive Directors fees is capped at a maximum fee pool that is approved by shareholders. The current fee pool is \$4.75 million, which was approved by shareholders at the AGM on 17 November 2015.

The following table outlines the Non-Executive Directors fees for the Board and the Committees as at 30 June 2019.

Fees are inclusive of base fees and statutory superannuation. The Chairman does not receive separate Committee fees.

Board/Committee	Chairman \$	Member \$
Board	870,000	242,000
Audit Committee	65,000	32,500
Risk Committee	65,000	32,500
Remuneration Committee	60,000	30,000
Nominations Committee	11,600	11,600
Due Diligence Committee <sup>1</sup>	4,000 <sup>2</sup>	Nil

1 The Due Diligence Committee did not meet during the 2019 financial year.

2 Represents fees for each full day meeting.

### Mandatory shareholding requirement

Non-Executive Directors are required to hold 5,000 or more CBA shares. For those Non-Executive Directors who have holdings below this threshold, 20% of their after-tax base fees are used to purchase CBA shares under the Non-Executive Directors' Share Plan (NEDSP) until a holding of 5,000 shares is reached. These shares are subject to a 10-year trading restriction (the shares will be released earlier if the Non-Executive Director leaves the Board).

The Non-Executive Directors' mandatory shareholding requirement was reviewed during the 2019 financial year. From 1 July 2019, Non-Executive Directors are required to hold CBA shares equivalent to 100% base fees for Non-Executive Directors and 100% of Chairman fees for the Chairman. This is to be accumulated over five years. Progress against the new requirement will be disclosed from the 2020 financial year.

## Non-Executive Director statutory remuneration

The statutory table below details individual statutory remuneration for the Non-Executive Directors for both the 2019 and 2018 financial years.

	Short-term benefits	Post-employment benefits	Share-based payments	
	Cash <sup>1</sup> \$	Superannuation <sup>2</sup> \$	Non-Executive Directors' Share Plan <sup>3</sup> \$	Total statutory remuneration \$
<b>Chairman</b>				
<b>Catherine Livingstone AO<sup>4,5</sup></b>				
30 Jun 19	864,013	20,531	-	884,544
30 Jun 18	749,201	20,049	-	769,250
<b>Current Non-Executive Directors</b>				
<b>Shirish Apte<sup>4,6</sup></b>				
30 Jun 19	349,010	20,531	-	369,541
30 Jun 18	353,970	15,037	-	369,007
<b>Genevieve Bell<sup>7</sup></b>				
30 Jun 19	95,031	9,905	14,320	119,256
<b>David Higgins<sup>4</sup></b>				
30 Jun 19	313,052	20,531	-	333,584
30 Jun 18	246,570	20,049	-	266,619
<b>Paul O'Malley<sup>7</sup></b>				
30 Jun 19	112,266	10,099	-	122,365
<b>Mary Padbury<sup>4,8</sup></b>				
30 Jun 19	236,674	20,531	25,618	282,823
30 Jun 18	225,584	20,049	30,657	276,290
<b>Wendy Stops<sup>4</sup></b>				
30 Jun 19	287,028	20,531	-	307,559
30 Jun 18	225,434	19,554	-	244,988
<b>Anne Templeman-Jones<sup>8,9</sup></b>				
30 Jun 19	271,568	20,531	30,136	322,235
30 Jun 18	66,165	6,516	9,045	81,726
<b>Robert Whitfield<sup>8,9</sup></b>				
30 Jun 19	231,314	20,531	33,471	285,316
30 Jun 18	184,703	16,567	26,945	228,215
<b>Former Non-Executive Directors</b>				
<b>Brian Long<sup>4,10</sup></b>				
30 Jun 19	161,242	10,266	-	171,508
30 Jun 18	259,777	20,049	-	279,826
<b>Andrew Mohl<sup>4,10</sup></b>				
30 Jun 19	103,109	8,173	-	111,282
30 Jun 18	223,073	19,650	-	242,723

1 Cash includes Board and Committee fees received as cash, as well as the provision of additional benefits (including associated fringe benefits tax).

2 Superannuation contributions are capped at the superannuation maximum contributions base as prescribed under the Superannuation Guarantee legislation.

3 The values shown in the tables represent the post-tax portion of fees received as shares under the NEDSP.

4 Base and committee fees for the 2018 financial year were reduced by an amount equivalent to 20% of individual 2017 financial year fees, reflecting collective accountability for the trust and reputational issues that promoted the need for the APRA Prudential Inquiry.

5 For Catherine Livingstone, 2018 financial year cash fees have been adjusted to reflect the provision of car parking benefits (including associated fringe benefits tax).

6 For Shirish Apte, 2018 financial year cash fees have been adjusted to reflect payments in relation to fringe benefits tax on additional benefits.

7 Genevieve Bell and Paul O'Malley were appointed as Non-Executive Directors effective 1 January 2019 and their remuneration reflects time in the role.

8 For Mary Padbury, Anne Templeman-Jones and Robert Whitfield the proportion between cash fees and NEDSP shares has been adjusted for the 2018 financial year.

9 Anne Templeman-Jones was appointed as a Non-Executive Director effective 5 March 2018 and Robert Whitfield was appointed as a Non-Executive Director effective 4 September 2017. Their 2018 financial year remuneration reflects time in the role.

10 Brian Long and Andrew Mohl retired from their Non-Executive Director roles effective 31 December 2018 and 7 November 2018 respectively and their remuneration reflects time in the role.

## Shares and other securities held by Non-Executive Directors

All shares were acquired by Non-Executive Directors on normal terms and conditions or through the NEDSP. Other securities acquired by Non-Executive Directors were on normal terms and conditions.

	Class	Balance 1 Jul 18	Acquired <sup>1</sup>	Net change other <sup>2</sup>	Balance 30 Jun 19
<b>Chairman</b>					
Catherine Livingstone AO	Ordinary	5,337	2,000	–	7,337
<b>Current Non-Executive Directors</b>					
Shirish Apte	Ordinary	7,500	–	–	7,500
Genevieve Bell	Ordinary	n/a	141	–	141
	PERLS <sup>4</sup>	n/a	–	–	1,020
David Higgins	Ordinary	10,878	–	–	10,878
	PERLS <sup>4</sup>	150	–	–	150
Paul O'Malley	Ordinary	n/a	5,330	–	5,330
Mary Padbury	Ordinary	834	445	–	1,279
	PERLS <sup>4</sup>	1,600	–	–	1,600
Wendy Stops	Ordinary	16,000	–	–	16,000
Anne Templeman-Jones	Ordinary	358	680	–	1,038
Robert Whitfield	Ordinary	309	549	–	858
<b>Former Non-Executive Directors</b>					
Brian Long <sup>3</sup>	Ordinary	14,956	–	–	n/a
	PERLS <sup>4</sup>	6,850	–	–	n/a
Andrew Mohl <sup>3</sup>	Ordinary	82,234	–	–	n/a

1 Incorporates shares and other securities acquired during the year. In the 2019 financial year, under the Non-Executive Directors' Share Plan, Genevieve Bell received 141 shares, Mary Padbury received 376 shares, Anne Templeman-Jones received 427 shares and Robert Whitfield received 480 shares.

2 Net change other incorporates changes resulting from sales of securities.

3 Brian Long and Andrew Mohl retired from the Group effective 31 December 2018 and 7 November 2018 respectively and their shareholding balance as at 30 June 2019 is not included.

4 Includes cumulative holdings of PERLS securities issued by the Group.

## 8. Loans and other transactions

### Loans to KMP

All loans to KMP (including close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of those family members or entities held significant voting power) have been made in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees including the term of the loan, security required and the interest rate (which may be fixed or variable). No loans were written down during the period.

### Total loans to KMP

	30 Jun 19 \$
Opening Balance	17,681,018
Closing Balance <sup>1</sup>	12,376,700
Interest Charged	480,435

<sup>1</sup> The aggregate loan amount at the end of the reporting period includes loans issued to 12 KMP.

### Loans to KMP exceeding \$100,000 in aggregate during the 2019 financial year

	Balance 1 Jul 18 \$	Interest charged \$	Interest not charged \$	Write-off \$	Balance 30 Jun 19 \$	Highest balance in period <sup>1</sup> \$
Adam Bennett	18,464	3,540	–	–	1,011,887	1,038,577
David Cohen	451,334	12,909	–	–	43,481	490,188
Alan Docherty	1,580,187	57,044	–	–	1,447,903	1,587,312
Andrew Hinchliff	n/a	1,699	–	–	44,368	121,287
Sian Lewis	n/a	29,733	–	–	775,808	836,187
Paul Newham	4,008,128	70,311	–	–	n/a	4,176,522
Vittoria Shortt	4,736,951	15,476	–	–	3,327,450	5,889,636
Angus Sullivan	5,639,759	239,781	–	–	5,652,632	5,866,364
Michael Venter	1,185,195	41,333	–	–	n/a	1,206,891
<b>Total</b>	<b>17,620,018</b>	<b>471,826</b>	<b>–</b>	<b>–</b>	<b>12,303,529</b>	<b>21,212,964</b>

<sup>1</sup> Represents the sum of highest balances outstanding at any point during the 2019 financial year for each individual loan held by the KMP.

### Other transactions of KMP

#### Financial instrument transactions

Financial instrument transactions (other than loans and shares disclosed within this report) of KMP, their close family members and entities controlled or significantly influenced by them, occur in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees.

All such financial instrument transactions that have occurred between entities within the Group and KMP, their close family members and entities controlled or significantly influenced by them, were in the nature of normal personal banking and deposit transactions.

#### Transactions other than financial instrument transactions

All other transactions with KMP, their close family members, related entities and other related parties are conducted in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees and customers. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group.



## Non-Audit Services

Amounts paid or payable to PricewaterhouseCoopers (PwC) for audit and non-audit services provided during the year, as set out in Note 12.4 to the *Financial report* are as follows:

	2019 \$'000
Taxation services	1,395
Other services	7,915
<b>Total non-audit services<sup>1</sup></b>	<b>9,310</b>
<b>Total audit and audit related services</b>	<b>34,698</b>

<sup>1</sup> An additional amount of \$2,975,730 was paid to PwC for non-audit services provided to entities not consolidated into the Financial Statements.

### Auditor's Independence Declaration

We have obtained an independence declaration from our external auditor as presented on page 36.

### Auditor Independence

The Group has an External Auditor Services Policy to assist in ensuring the independence of the Group's external auditor.

The Audit Committee has considered the provision, during the year, of non-audit services by PwC and has concluded that the provision of those services did not compromise the auditor independence requirements of the *Corporations Act 2001 (Cth)*.

The Audit Committee recommended that it was satisfied that the provision of the non-audit services by PwC during the year was compatible with the general standard of independence imposed by the *Corporations Act 2001 (Cth)*.

The Directors are satisfied that the provision of the non-audit services during the year did not compromise the auditor independence requirements of the *Corporations Act 2001 (Cth)*. The reasons for this are as follows:

- The operation of the External Auditor Services Policy during the year to restrict the nature of non-audit services engagements, to prohibit certain services and to require Audit Committee pre-approval for all such engagements; and
- The relative quantum of fees paid for non-audit services compared to the quantum for audit and audit related services.

The above Directors' statements are in accordance with the recommendation received from the Audit Committee.

### Incorporation of Additional Material

This Report incorporates the *Board of Directors* (pages 2 – 3) and *Shareholder information* (pages 214 – 219) sections of this Annual Report.



**Catherine Livingstone AO**

Chairman

7 August 2019



**Matt Comyn**

Managing Director and Chief Executive Officer

7 August 2019



## Auditor's Independence Declaration

As lead auditor for the audit of the Commonwealth Bank of Australia for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of the Commonwealth Bank of Australia and the entities it controlled during the period.



**Matthew Lunn**  
Partner  
PricewaterhouseCoopers

Sydney  
7 August 2019

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# Financial report



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# Income statements

For the year ended 30 June 2019

	Note	Group <sup>(1) (2) (3)</sup>			Bank <sup>(2) (3)</sup>	
		30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Interest income:						
Effective interest income	2.1	34,089	33,643	32,705	32,960	32,531
Other	2.1	499	501	490	499	465
Interest expense	2.1	(16,468)	(15,802)	(15,649)	(17,405)	(16,585)
Net interest income		18,120	18,342	17,546	16,054	16,411
Other banking income	2.3	4,994	5,423	5,721	6,044	7,365
Net banking operating income		23,114	23,765	23,267	22,098	23,776
Net funds management operating income	2.3	1,073	1,124	1,038	-	-
Net insurance operating income	2.3	150	241	178	-	-
<b>Total net operating income before impairment and operating expenses</b>		<b>24,337</b>	<b>25,130</b>	<b>24,483</b>	<b>22,098</b>	<b>23,776</b>
Loan impairment expense	3.2	(1,201)	(1,079)	(1,095)	(1,058)	(963)
Operating expenses	2.4	(11,373)	(11,029)	(10,133)	(10,633)	(10,703)
<b>Net profit before income tax</b>		<b>11,763</b>	<b>13,022</b>	<b>13,255</b>	<b>10,407</b>	<b>12,110</b>
Income tax expense	2.5	(3,391)	(3,952)	(3,784)	(2,624)	(3,235)
<b>Net profit after income tax from continuing operations</b>		<b>8,372</b>	<b>9,070</b>	<b>9,471</b>	<b>7,783</b>	<b>8,875</b>
Non-controlling interests in net profit after income tax from continuing operations		(12)	(13)	(13)	-	-
<b>Net profit attributable to equity holders of the Bank from continuing operations</b>		<b>8,360</b>	<b>9,057</b>	<b>9,458</b>	<b>7,783</b>	<b>8,875</b>
Net profit after tax from discontinued operations		218	278	481	-	-
Non-controlling interests in net profit after income tax from discontinued operations		(7)	(6)	(11)	-	-
<b>Net profit attributable to equity holders of the Bank</b>		<b>8,571</b>	<b>9,329</b>	<b>9,928</b>	<b>7,783</b>	<b>8,875</b>

The above Income Statements should be read in conjunction with the accompanying notes.

**Earnings per share for profit attributable to equity holders of the Bank during the year:**

	Group		
	30 Jun 19	30 Jun 18	30 Jun 17
	Cents per share		
Earnings per share from continuing operations: <sup>(1)</sup>			
Basic	473. 7	518. 8	549. 9
Diluted	457. 5	503. 2	532. 9
Earnings per share:			
Basic	485. 6	534. 3	577. 3
Diluted	468. 6	517. 7	558. 8

(1) Information has been restated and presented on a continuing operations basis. For details on the Group's discontinued operations refer to Note 11.3.

(2) Comparative information has been restated to conform to presentation in the current year.

(3) Current year amounts reflect the adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. As permitted by AASB 9 and AASB 15 comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15 refer to Note 1.1.

# Statements of comprehensive income

For the year ended 30 June 2019

	Group <sup>(1) (2)</sup>			Bank <sup>(2)</sup>	
	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 19	30 Jun 18
	\$M	\$M	\$M	\$M	\$M
<b>Net profit after income tax for the period from continuing operations</b>	<b>8,372</b>	9,070	9,471	<b>7,783</b>	8,875
<b>Other comprehensive income/(expense):</b>					
<b>Items that may be reclassified subsequently to profit/(loss):</b>					
Foreign currency translation reserve net of tax	457	(12)	(256)	214	53
Gains/(losses) on cash flow hedging instruments net of tax	947	(53)	(577)	1,003	4
Gains/(losses) on debt investment securities at fair value through other comprehensive income net of tax	103	-	-	(5)	-
Losses on available-for-sale investments net of tax	-	(68)	(52)	-	(34)
<b>Total of items that may be reclassified</b>	<b>1,507</b>	(133)	(885)	<b>1,212</b>	23
<b>Items that will not be reclassified to profit/(loss):</b>					
Actuarial (losses)/gains from defined benefit superannuation plans net of tax	(49)	161	175	(50)	159
Losses on liabilities at fair value due to changes in own credit risk net of tax	-	(2)	(3)	-	(2)
Losses on equity investment securities at fair value through other comprehensive income net of tax	(6)	-	-	(1)	-
Revaluation of properties net of tax	34	31	23	33	29
<b>Total of items that will not be reclassified</b>	<b>(21)</b>	190	195	<b>(18)</b>	186
<b>Other comprehensive income/(expense) net of income tax from continuing operations</b>	<b>1,486</b>	57	(690)	<b>1,194</b>	209
<b>Total comprehensive income for the period from continuing operations</b>	<b>9,858</b>	9,127	8,781	<b>8,977</b>	9,084
Net profit after income tax for the period from discontinued operations	218	278	481	-	-
Other comprehensive income/(expense) for the period from discontinued operations net of income tax <sup>(3)</sup>	14	(6)	(29)	-	-
<b>Total comprehensive income for the period</b>	<b>10,090</b>	9,399	9,233	<b>8,977</b>	9,084
<b>Total comprehensive income for the period is attributable to:</b>					
Equity holders of the Bank	10,071	9,380	9,209	8,977	9,084
Non-controlling interests	19	19	24	-	-
<b>Total comprehensive income net of tax</b>	<b>10,090</b>	9,399	9,233	<b>8,977</b>	9,084

(1) Information has been restated and presented on a continuing operations basis. For details on the Group's discontinued operations refer to Note 11.3.

(2) Current year amounts reflect the adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. As permitted by AASB 9 and AASB 15 comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15 refer to Note 1.1.

(3) Includes \$7 million gain on foreign currency translation net of tax (30 June 2018: \$3 million gain; 30 June 2017: \$29 million loss) and \$7 million gain on revaluation of debt investment securities measured at fair value through other comprehensive income net of tax. The year ended 30 June 2018 includes \$9 million loss on revaluation of available-for-sale investments net of tax.

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

		Group		
		30 Jun 19	30 Jun 18	30 Jun 17
	Note	Cents per share		
<b>Dividends per share attributable to shareholders of the Bank:</b>				
Ordinary shares	8.4	431	431	429

# Balance sheets

As at 30 June 2019

	Note	Group <sup>(1) (2) (3)</sup>		Bank <sup>(1) (3)</sup>	
		30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Assets</b>					
Cash and liquid assets	5.1	29,387	36,417	26,912	33,581
Receivables due from other financial institutions		8,093	9,222	7,334	8,376
Assets at fair value through Income Statement:					
Trading	5.2	32,506	32,254	32,476	29,993
Insurance	5.2	-	372	-	-
Other	5.2	1,171	258	652	-
Derivative assets	5.3	25,215	32,133	24,311	30,885
Investment securities:					
At amortised cost	5.4	7,355	-	7,349	-
At fair value through other comprehensive income	5.4	78,912	-	73,212	-
Available-for-sale investments	5.4	-	82,240	-	77,731
Loans, bills discounted and other receivables	3.1	755,141	743,365	660,476	656,650
Bank acceptances of customers		32	379	32	379
Shares in and loans to controlled entities	11.2	-	-	120,193	118,252
Property, plant and equipment		2,383	2,576	1,389	1,460
Investments in associates and joint ventures	11.1	3,001	2,842	1,017	1,118
Intangible assets	6.1	7,965	9,090	4,317	4,466
Deferred tax assets	2.5	1,675	1,439	1,570	1,430
Other assets	6.2	7,115	6,924	5,910	6,212
Assets held for sale	11.3	16,551	15,654	1	19
<b>Total assets</b>		<b>976,502</b>	<b>975,165</b>	<b>967,151</b>	<b>970,552</b>
<b>Liabilities</b>					
Deposits and other public borrowings	4.1	636,040	622,234	573,851	566,200
Payables due to other financial institutions		23,370	20,899	22,618	20,014
Liabilities at fair value through Income Statement	4.2	8,520	10,247	7,961	9,106
Derivative liabilities	5.3	22,777	28,472	26,654	30,871
Bank acceptances		32	379	32	379
Due to controlled entities		-	-	105,774	105,327
Current tax liabilities		326	952	129	796
Other provisions	7.1	2,751	1,860	2,337	1,561
Insurance policy liabilities		-	451	-	-
Debt issues	4.3	163,990	172,294	131,062	139,984
Bills payable and other liabilities	7.2	10,285	11,625	9,040	10,145
Liabilities held for sale	11.3	15,796	14,900	-	-
		883,887	884,313	879,458	884,383
Loan capital	8.2	22,966	22,992	22,569	22,249
<b>Total liabilities</b>		<b>906,853</b>	<b>907,305</b>	<b>902,027</b>	<b>906,632</b>
<b>Net assets</b>		<b>69,649</b>	<b>67,860</b>	<b>65,124</b>	<b>63,920</b>
<b>Shareholders' Equity</b>					
Ordinary share capital	8.3	38,020	37,270	38,212	37,533
Reserves	8.3	3,092	1,676	3,813	2,568
Retained profits	8.3	28,482	28,360	23,099	23,819
<b>Shareholders' Equity attributable to equity holders of the Bank</b>		<b>69,594</b>	<b>67,306</b>	<b>65,124</b>	<b>63,920</b>
Non-controlling interests	11.1	55	554	-	-
<b>Total Shareholders' Equity</b>		<b>69,649</b>	<b>67,860</b>	<b>65,124</b>	<b>63,920</b>

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

(2) Current year balances have been impacted by the announced sale of CFSGAM, PT Commonwealth Life, Count Financial and completed sales of Sovereign and TymeDigital SA. For details on the Group's discontinued operations, refer to Note 11.3.

(3) Current year balances reflect the adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. As permitted by AASB 9 and AASB 15 comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15 refer to Note 1.1.

The above Balance Sheets should be read in conjunction with the accompanying notes.

# Statements of changes in equity

For the year ended 30 June 2019

	Ordinary share capital \$M	Reserves \$M	Retained profits \$M	Total \$M	Non- controlling interests \$M	Group Total Shareholders' Equity \$M
<b>As at 30 June 2017</b>	34,971	1,869	26,274	63,114	546	63,660
Net profit after income tax from continuing operations <sup>(1)</sup>	-	-	9,057	9,057	13	9,070
Net profit after income tax from discontinued operations <sup>(1)</sup>	-	-	272	272	6	278
Net other comprehensive income from continuing operations <sup>(1)</sup>	-	(102)	159	57	-	57
Net other comprehensive income from discontinued operations <sup>(1)</sup>	-	(6)	-	(6)	-	(6)
Total comprehensive income for the period	-	(108)	9,488	9,380	19	9,399
Transactions with Equity holders in their capacity as Equity holders: <sup>(2)</sup>						
Dividends paid on ordinary shares	-	-	(7,484)	(7,484)	-	(7,484)
Dividend reinvestment plan (net of issue costs)	2,105	-	-	2,105	-	2,105
Issue of shares (net of issue costs)	164	-	-	164	-	164
Share-based payments	-	(19)	-	(19)	-	(19)
Purchase of treasury shares	(95)	-	-	(95)	-	(95)
Sale and vesting of treasury shares	125	-	-	125	-	125
Other changes	-	(66)	82	16	(11)	5
<b>As at 30 June 2018</b>	37,270	1,676	28,360	67,306	554	67,860
Change on adoption of new accounting standards <sup>(3)</sup>	-	-	(955)	(955)	-	(955)
<b>Restated opening balance</b>	37,270	1,676	27,405	66,351	554	66,905
Net profit after income tax from continuing operations	-	-	8,360	8,360	12	8,372
Net profit after income tax from discontinued operations	-	-	211	211	7	218
Net other comprehensive income from continuing operations	-	1,535	(49)	1,486	-	1,486
Net other comprehensive income from discontinued operations	-	14	-	14	-	14
Total comprehensive income for the period	-	1,549	8,522	10,071	19	10,090
Transactions with Equity holders in their capacity as Equity holders: <sup>(2)</sup>						
Dividends paid on ordinary shares	-	-	(7,606)	(7,606)	-	(7,606)
Dividend reinvestment plan (net of issue costs)	748	-	-	748	-	748
Issue of shares (net of issue costs)	-	-	-	-	-	-
Share-based payments	-	16	-	16	-	16
Purchase of treasury shares	(93)	-	-	(93)	-	(93)
Sale and vesting of treasury shares	95	-	-	95	-	95
Other changes	-	(149)	161	12	(518)	(506)
<b>As at 30 June 2019</b>	38,020	3,092	28,482	69,594	55	69,649

(1) Information has been restated to reflect reclassification of CFSGAM and PT Commonwealth Life as discontinued operations during the current year.

(2) Current year and prior year include discontinued operations.

(3) The Group adopted AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. The carrying amounts of assets and liabilities impacted by the adoption were adjusted through opening retained profits and reserves on 1 July 2018 as if the Group has always applied the new requirements. As permitted by AASB 9 and AASB 15, comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15, refer to Note 1.1.

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

## Statements of changes in equity (continued)

For the year ended 30 June 2019

	Ordinary share capital \$M	Reserves \$M	Retained profits \$M	Bank Total Shareholders' Equity \$M
<b>As at 30 June 2017</b>	35,262	2,556	22,256	60,074
Net profit after income tax from continuing operations	-	-	8,875	8,875
Net other comprehensive income from continuing operations	-	52	157	209
Total comprehensive income for the period	-	52	9,032	9,084
Transactions with Equity holders in their capacity as Equity holders:				
Dividends paid on ordinary shares	-	-	(7,484)	(7,484)
Dividend reinvestment plan (net of issue costs)	2,107	-	-	2,107
Issue of shares (net of issue costs)	164	-	-	164
Share-based payments	-	(25)	-	(25)
Other changes	-	(15)	15	-
<b>As at 30 June 2018</b>	37,533	2,568	23,819	63,920
Change on adoption of new accounting standards <sup>(1)</sup>	-	-	(868)	(868)
<b>Restated opening balance</b>	37,533	2,568	22,951	63,052
Net profit after income tax from continuing operations	-	-	7,783	7,783
Net other comprehensive income from continuing operations	-	1,244	(50)	1,194
Total comprehensive income for the period	-	1,244	7,733	8,977
Transactions with Equity holders in their capacity as Equity holders:				
Dividends paid on ordinary shares	-	-	(7,606)	(7,606)
Dividend reinvestment plan (net of issue costs)	748	-	-	748
Issue of shares (net of issue costs)	-	-	-	-
Share-based payments	-	22	-	22
Purchase of treasury shares	(69)	-	-	(69)
Other changes	-	(21)	21	-
<b>As at 30 June 2019</b>	38,212	3,813	23,099	65,124

(1) The Bank adopted AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. The carrying amounts of assets and liabilities impacted by the adoption were adjusted through opening retained profits and reserves on 1 July 2018 as if the Bank has always applied the new requirements. As permitted by AASB 9 and AASB 15, comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15 refer to Note 1.1.

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.



# Statements of cash flows

For the year ended 30 June 2019

	Note	Group <sup>(1) (2)</sup>			Bank <sup>(1) (2)</sup>
		30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M	30 Jun 19 \$M
<b>Cash flows from operating activities</b>					
Interest received		34,757	35,801	33,536	32,366
Interest paid		(15,695)	(15,356)	(15,006)	(16,743)
Other operating income received		5,808	6,181	5,556	3,971
Expenses paid		(10,784)	(10,340)	(9,763)	(9,693)
Income taxes paid		(4,878)	(4,791)	(3,976)	(4,453)
Net inflows from assets at fair value through Income Statement (excluding life insurance)		2,482	5,270	4,220	6,915
Net inflows/(outflows) from liabilities at fair value through Income Statement:					
Insurance:					
Investment income		340	225	186	-
Premiums received <sup>(3)</sup>		2,414	3,241	3,366	-
Policy payments and commission expense <sup>(3)</sup>		(3,061)	(3,453)	(3,854)	-
Other liabilities at fair value through Income Statement		126	(208)	156	(410)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>11,509</b>	<b>16,570</b>	<b>14,421</b>	<b>11,953</b>
<b>Changes in operating assets and liabilities arising from cash flow movements</b>					
Movement in investment securities:					
Purchases		(41,925)	-	-	(39,020)
Proceeds		43,239	-	-	39,556
Movement in available-for-sale investments:					
Purchases		-	(51,783)	(54,608)	-
Proceeds		-	52,832	49,392	-
Net increase in loans, bills discounted and other receivables		(9,465)	(16,105)	(38,744)	(4,585)
Net decrease in receivables due from other financial institutions and regulatory authorities		1,345	884	1,100	1,210
Net decrease/(increase) in securities purchased under agreements to resell		930	9,258	(13,993)	933
Insurance business:					
Purchase of insurance assets at fair value through Income Statement		(1,383)	(1,594)	(1,789)	-
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		2,512	2,671	3,152	-
Net decrease/(increase) in other assets		525	(11)	(174)	524
Net increase/(decrease) in deposits and other public borrowings		4,891	(876)	39,821	1,949
Net increase/(decrease) in payables due to other financial institutions		2,154	(8,279)	666	2,319
Net increase/(decrease) in securities sold under agreements to repurchase		4,402	(1,574)	(853)	4,408
Net (decrease)/increase in other liabilities		(648)	(884)	802	(137)
<b>Changes in operating assets and liabilities arising from cash flow movements</b>		<b>6,577</b>	<b>(15,461)</b>	<b>(15,228)</b>	<b>7,157</b>
<b>Net cash provided by/(used in) operating activities</b>	12.3 (a)	<b>18,086</b>	<b>1,109</b>	<b>(807)</b>	<b>19,110</b>

(1) It should be noted that the Group does not use these accounting Statements of Cash Flows in the internal management of its liquidity positions.

(2) Includes discontinued operations. For the cash flows from discontinued operations refer to Note 11.3.

(3) Represents gross premiums and policy payments before splitting between policyholders and shareholders.

## Statements of cash flows (continued)

For the year ended 30 June 2019

		Group <sup>(1) (2)</sup>			Bank <sup>(1) (2)</sup>
	Note	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M	30 Jun 19 \$M
<b>Cash flows from investing activities</b>					
Cash inflows/(outflows) from acquisitions		-	26	(31)	-
Net proceeds from disposal of entities and businesses (net of cash disposals)		1,259	-	1	-
Dividends received		141	68	94	1,473
Net amounts received from controlled entities <sup>(3)</sup>		-	-	-	(1,906)
Proceeds from sale of property, plant and equipment		151	155	381	89
Purchases of property, plant and equipment		(326)	(477)	(602)	(271)
Net cash flows from sales/(acquisitions) of associates/joint ventures		72	(271)	(25)	29
Net purchase of intangible assets		(314)	(503)	(495)	(597)
<b>Net cash (used in)/provided by investing activities</b>		<b>983</b>	<b>(1,002)</b>	<b>(677)</b>	<b>(1,183)</b>
<b>Cash flows from financing activities</b>					
Dividends paid (excluding Dividend Reinvestment Plan)		(6,853)	(5,366)	(6,084)	(6,853)
Redemption of other equity instruments (net of costs)		(505)	-	-	-
Proceeds from issuance of debt securities		56,448	68,273	94,560	46,685
Redemption of issued debt securities		(73,747)	(67,809)	(81,758)	(63,343)
Purchase of treasury shares		(93)	(95)	(92)	(69)
Sale of treasury shares		22	55	34	-
Issue of loan capital		1,579	4,445	3,757	1,571
Redemption of loan capital		(2,637)	(464)	-	(2,263)
Proceeds from issuance of shares (net of issue costs)		-	-	(6)	-
Other		47	27	61	(70)
<b>Net cash (used in)/provided by financing activities</b>		<b>(25,739)</b>	<b>(934)</b>	<b>10,472</b>	<b>(24,342)</b>
Net (decrease)/increase in cash and cash equivalents		<b>(6,670)</b>	<b>(827)</b>	<b>8,988</b>	<b>(6,415)</b>
Effect of foreign exchange rates on cash and cash equivalents		675	715	(318)	598
Cash and cash equivalents at beginning of year		23,005	23,117	14,447	21,351
<b>Cash and cash equivalents at end of year</b>	12.3 (b)	<b>17,010</b>	<b>23,005</b>	<b>23,117</b>	<b>15,534</b>

(1) It should be noted that the Group does not use these accounting Statements of Cash Flows in the internal management of its liquidity positions.

(2) Includes discontinued operations. For the cash flows from discontinued operations refer to Note 11.3.

(3) Amounts received from and paid to controlled entities are presented in line with how they are managed and settled.

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

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# 1. Overview

## 1.1 General information, basis of accounting, changes in accounting policies

### General information

The Financial Report of the Commonwealth Bank of Australia (the Bank) and the Bank and its subsidiaries (the Group) for the year ended 30 June 2019, was approved and authorised for issue by the Board of Directors on 7 August 2019. The Directors have the power to amend and reissue the Financial Statements.

The Bank is a for-profit entity incorporated and domiciled in Australia. It is a company limited by shares that are publicly traded on the Australian Securities Exchange. The registered office is Ground Floor, Tower 1, 201 Sussex Street, Sydney, NSW 2000, Australia.

The Financial Report includes the consolidated and standalone financial statements of the Group and the Bank, respectively. Notes accompanying the Financial Statements and the Independent Auditor's Report form part of the Financial Report.

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

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

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

On 25 June 2018, the Group announced its intention to demerge its wealth management and mortgage broking businesses, and undertake a strategic review of its general insurance business, including a potential sale. On 14 March 2019, the Group announced suspension of its preparation for the demerger in order to focus on the implementation of Royal Commission recommendations, refunding customers and remediating past issues.

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

On 31 October 2018, the Group announced the sale of Colonial First State Global Asset Management (CFSGAM) to Mitsubishi UFJ Trust and Banking Corporation (MUTB). The sale completed on 2 August 2019.

On 1 November 2018, the Group completed the sale of Commonwealth Bank of South Africa (Holding Company) Limited (TymeDigital SA) to the minority shareholder, African Rainbow Capital (ARC).

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

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

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

### Basis of accounting

The Financial Report:

- is a general purpose financial report;
- has been prepared in accordance with the Australian Accounting interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board;
- has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth);
- is presented in Australian dollars, which is the Bank's functional and presentation currency, with all values rounded to the nearest million dollars (\$M) in accordance with ASIC Corporations Instrument 2016/191 unless otherwise indicated;
- includes foreign currency transactions that are translated into the functional currency, using the exchange rates prevailing at the date of each transaction;
- has been prepared on a going concern basis using a historical cost basis, except for certain assets and liabilities (including derivative instruments) measured at fair value;
- presents assets and liabilities on the face of the Balance Sheets in decreasing order of liquidity;
- where required, presents restated comparative information for consistency with the current year's presentation in the Financial Report;
- contains accounting policies that have been consistently applied to all periods presented, unless otherwise stated.

## 1.1 General information, basis of accounting, changes in accounting policies (continued)

### Change in comparatives

#### Discontinued operations

The financial results of businesses reclassified as discontinued operations are excluded from the results of the continuing operations and are presented as a single line item 'Net profit/(loss) after tax from discontinued operations' in the Income Statement, and 'Other comprehensive income/(expense) from discontinued operations' in the Statement of Comprehensive Income.

The Income Statements and Statements of Comprehensive Income for comparative periods are also restated. Assets and liabilities of discontinued operations subject to disposal have been presented on the Balance Sheet separately as assets and liabilities held for sale. The Balance Sheet is not restated when a business is reclassified as a discontinued operation.

#### Re-segmentation

In line with the Group's commitment to becoming a simpler, better bank, a number of changes to the Group's operating model have been made during the year:

- The General Insurance business has been placed under strategic review and moved to be part of Retail Banking Services, while the review is underway;
- The Small Business banking segment has been transferred out of Retail Banking Services to Business and Private Banking in order to consolidate the Group's business banking operations; and
- Bankwest and Commonwealth Financial Planning have been consolidated into Retail Banking Services, aligning all retail businesses within one division.

The comparative information has been restated.

### Change in accounting policies

#### AASB 9 'Financial Instruments'

The Group adopted AASB 9 Classification and Measurement, and Impairment requirements and amendments in AASB 2017-6 related to prepayment features on 1 July 2018. The Group has elected an accounting policy choice in AASB 9 to retain AASB 139 hedge accounting requirements. The Group can commence applying AASB 9 hedging at the beginning of any future reporting period.

AASB 9 Classification and Measurement and Impairment requirements have been applied on a retrospective basis. The Group has adjusted the carrying amounts of financial instruments impacted by the adoption of AASB 9 through opening retained profits and reserves on 1 July 2018 as if it has always applied the new requirements. As permitted by AASB 9, the Group has not restated the comparative period financial statements.

The key changes to the Group's accounting policies and resultant impacts from the adoption of AASB 9 are described below.

#### Impairment

AASB 9 introduced an expected credit loss (ECL) impairment model which differs significantly from the incurred loss approach under AASB 139. The ECL model is forward looking and does not require evidence of an actual loss event for impairment provisions to be recognised.

The implementation of AASB 9 required management to make a number of judgements and assumptions and has had a significant

impact on the Group's impairment provisioning methodology. A description of the key components of the Group's AASB 9 impairment methodology is provided below.

#### Expected credit loss (ECL) model

The ECL model applies to all financial assets measured at amortised cost, debt securities measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts not measured at fair value through profit or loss (FVTPL). The model uses a three-stage approach to recognition of expected credit losses. Financial assets migrate through these stages based on changes in credit risk since origination:

- **Stage 1 – 12 months ECL – Performing loans**  
On origination, financial assets recognise an impairment provision equivalent to 12 months ECL. 12 months ECL is the credit losses expected to arise from defaults occurring over the next 12 months.
- **Stage 2 – Lifetime ECL – Performing loans that have experienced a significant increase in credit risk (SICR)**  
Financial assets that have experienced a SICR since origination are transferred to Stage 2 and recognise an impairment provision equivalent to lifetime ECL. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to 12 months ECL.
- **Stage 3 – Lifetime ECL – Non-performing Loans**  
Financial assets in default recognise a provision equivalent to lifetime ECL. This includes assets that are considered credit impaired as well as assets that are considered to be in default but are not credit impaired.

Credit losses for financial assets in Stage 1 and Stage 2 are assessed for impairment collectively, whilst those in Stage 3 are subjected to either collective or individual assessment of expected credit losses.

Interest revenue is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying value net of impairment provisions for financial assets in Stage 3.

#### Significant increase in credit risk (SICR)

SICR is assessed by comparing the risk of default occurring over the expected life of the financial asset at reporting date to the corresponding risk of default at origination. The Group considers all available qualitative and quantitative information that is relevant to assessing SICR.

For non-retail portfolios, such as the corporate risk rated portfolio and the asset finance portfolio, the risk of default is defined using the existing Risk Rated Probability of Default (PD) Masterscale. The PD Masterscale is used in internal credit risk management and includes 23 risk grades that are assigned at a customer level using rating tools reflecting customer specific financial and non-financial information and management's experienced credit judgement. Internal credit risk ratings are updated regularly on the basis of the most recent financial and non-financial information.

## 1.1 General information, basis of accounting, changes in accounting policies (continued)

### AASB 9 'Financial Instruments' (continued)

#### Significant increase in credit risk (SICR) (continued)

The Group has developed a Retail Masterscale for use in the ECL measurement on personal loans, credit cards, home loans and SME retail portfolios. The Retail Masterscale has 15 risk grades that are assigned to retail accounts based on their credit quality scores determined through a credit quality scorecard. Risk grades for retail exposures are updated monthly as credit quality scorecards are recalculated based on new behavioural information.

For significant portfolios, the primary indicator of SICR is a significant deterioration in an exposure's internal credit rating grade between origination and reporting date. Application of the primary SICR indicator uses a sliding threshold such that an exposure with a higher credit quality at origination would need to experience a more significant downgrade compared to a lower credit quality exposure before SICR is triggered. The level of downgrade required to trigger SICR for each origination grade have been defined for each significant portfolio.

The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risks at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 exposures for the Group and the Bank as at 30 June 2019.

The Group also uses secondary SICR indicators as backstops in combination with the primary SICR indicator, including:

- Arrears status;
- A retail exposure entering a financial hardship status; and
- A non-retail exposure's referral to Group Credit Structuring.

For a number of small portfolios, which are not considered significant individually or in combination, the Group applies simplified provisioning approaches that differ from the description above. 30 days past due is used as a primary indicator of SICR on exposures in these portfolios.

#### Definition of default, credit impaired assets and write-offs

The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Group in full, or the exposure is 90 days past due.

Facilities are classified as credit impaired where there is doubt as to whether the full amounts due, including interest and other payments, will be received in a timely manner. Loans are written off when there is no reasonable expectation of recovery.

#### ECL measurement

ECL is a probability weighted expected credit loss estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

The Group uses the following AASB 9 collective provisioning models in calculating ECL:

- *Retail lending*: Personal Loans model, Credit Cards model, Home Loans model, Retail SME model;
- *Non-retail lending*: Corporate Risk rated model, Asset Finance model.

For each significant portfolio ECL is calculated as a product of the following credit risk factors at a facility level:

- *Probability of default (PD)*: The likelihood that a debtor will be unable to pay its obligations in full without having to take actions such as realising on security or that the debtor will become 90 days overdue on obligation or contractual commitment;
- *Exposure at default (EAD)*: Expected balance sheet exposure at default. The Group generally calculates EAD as the higher of the drawn balance and total credit limit, except for the credit cards portfolio, for which EAD calculation also takes into account the probability of unused limits being drawn down; and
- *Loss given default (LGD)*: The amount that is not expected to be recovered following default.

Secured retail exposures with expected loss in excess of \$20,000 and defaulted non-retail exposures that are not well secured are assessed for impairment through an Individually Assessed Provisions (IAP) process. Impairment provisions on these exposures are calculated directly as the difference between the defaulted asset's carrying value and the present value of expected future cash flows including cash flows from realisation of collateral, where applicable.

#### Forward-looking information

Credit risk factors of PD and LGD used in ECL calculation are point-in-time estimates based on current conditions and adjusted to include the impact of multiple probability-weighted future forecast economic scenarios.

Forward looking PD and LGD factors are modelled for each significant portfolio based on macro-economic factors that are most closely correlated with credit losses in the relevant portfolios. Each of the four scenarios (refer below) includes a forecast of relevant macro-economic variables which differ by portfolio:

- *Retail portfolios*: Cash rate, unemployment rate, GDP per capita and House price index.
- *Non-retail lending*: Unemployment rate, business investment index, ASX 200 and the AUD/USD exchange rate.

New Zealand equivalents of a subset of the above macro-economic variables are used for retail credit exposures originated in New Zealand.

The Group uses the following four alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- *Central scenario*: This scenario considers the Group's base case assumptions used in business planning and forecasting. This scenario considers continued growth in GDP per capita, investment, the share market and the labour market supported by exchange rates and interest rate reductions over the short term. House prices see further modest declines from currently observed levels;



## 1.1 General information, basis of accounting, changes in accounting policies (continued)

### AASB 9 'Financial Instruments' (continued)

#### Forward-looking information (continued)

- **Upside and Downside scenarios:** These scenarios are set relative to the Central scenario and based on macro-economic conditions which would lead to the lowest/highest impairment losses expected over an approximate 10 year economic cycle. Under the Upside scenario the economy strengthens from current state where several metrics, including house prices, return to above average growth and the central bank increases interest rates in the next year. The Downside scenario represents a deterioration from current state where the economy observes moderate declines across most metrics, including further house prices declines, as well as additional decreases in official interest rates; and
- **Severe Downside scenario:** This scenario has been included to account for a potentially severe impact of less likely, extremely adverse macro-economic conditions which would lead to the highest impairment losses expected over a longer horizon such as a 30 year economic cycle. Under this scenario the economy sees a significant deterioration from current state. The scenario contemplates a breakdown in typical economic relationships reflected by significant declines in GDP per capita, investment, house prices and the share market as well as increases in unemployment, interest rates and exchange rates.

Weights are assigned to each scenario based on management's best estimate of the proportion of potential future loss events that each scenario represents. The same economic scenarios and probability weights apply across all portfolios. The Group's assessment of SICR also incorporates the impact of multiple probability-weighted future forecast economic scenarios on exposures' internal risk grades using the same four forecast macro-economic scenarios as described above.

In estimating impairment provisions on individually significant defaulted exposures, the Group generally applies conservative assumptions in estimating recovery cash flows. Incorporating multiple forecast economic scenarios in estimates is not expected to significantly effect the level of impairment provisions on these credit exposures.

#### Lifetime of an exposure

For exposures in Stage 2 and Stage 3 impairment provisions are determined as a lifetime expected loss. The Group uses a range of approaches to estimate expected lives of financial instruments subject to ECL requirements:

- **Non-revolving products in corporate portfolios:** Expected life is determined as a maximum contractual period over which the Group is exposed to credit risk;
- **Non-revolving retail products:** For fixed term products such as personal loans and home loans, expected life is determined using behavioural term analysis and does not exceed the maximum contractual period; and
- **Revolving products in corporate and retail portfolios:** For revolving products that include both a loan and an undrawn commitment, such as credit cards and corporate lines of credit, the Group's contractual ability to cancel the undrawn limits and demand repayments does not limit the exposure to

credit losses to the contractual notice period. For such products, ECL is measured over the behavioural life.

#### Incorporation of experienced credit judgement

Management exercises credit judgement in assessing if an exposure has experienced SICR and in determining the amount of impairment provisions at each reporting date. Where applicable, model adjustments are made to incorporate reasonable and supportable information about known or expected risks that have not been considered in the modelling process. This includes but is not limited to information about emerging risks at an industry, geographical location or a particular portfolio segment level.

#### Governance

The Group's Loan Loss Provisioning Committee (LLPC) is responsible for approving forecast economic scenarios and their associated weights. In addition, LLPC is responsible for approving all model adjustments including those required to account for situations where all relevant information has not been considered in the modelling process. The Group's provisions for impairment, loan impairment expense and any areas of judgement are reported to the Group's Board Audit Committee.

#### Classification and measurement

Under AASB 9, the classification and subsequent measurement of financial assets depends on:

- the business model within which the financial assets are managed; and
- the contractual cash flow characteristics of the asset, that is, whether the cash flows represent 'solely payments of principal and interest' (SPPI).

#### Business model assessment

The business model reflects how the Group manages financial assets in order to generate returns. This is assessed at the level which best reflects the manner in which risk and returns are managed, and information is provided to management. The factors considered in determining the business model include:

- how the financial assets' performance is evaluated and reported to management;
- how the risks within the portfolio are assessed and managed; and
- the frequency, volume, timing for past sales, sales expectations in future periods, and the reasons for such sales.

#### Assessment of whether contractual cash flows meet the SPPI test

In making the assessment of whether the contractual cash flows have SPPI characteristics, the Group considers whether the cash flows represent solely the payment of principal and interest. Principal is the fair value of the financial asset on initial recognition. Interest typically comprises compensation for the time value of money, credit risk and other basic lending costs, such as liquidity risk and administrative costs. Where the contractual terms include exposure to risk or volatility that is inconsistent with a basic lending arrangement, the cash flows would not be considered to be SPPI and the assets would be measured at fair value through profit or loss.

## 1.1 General information, basis of accounting, changes in accounting policies (continued)

### AASB 9 'Financial Instruments' (continued)

#### *Assessment of whether contractual cash flows meet the SPPI test (continued)*

In making the assessment, the Group considers contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements), and features that modify consideration of the time value of money.

The Group is required to differentiate between financial asset debt instruments and financial asset equity instruments.

#### *Financial assets – debt instruments*

There are three classification models for financial asset debt instruments under AASB 9:

- *Amortised cost* – Financial assets are classified within this measurement category if they are held within a portfolio whose primary objective is the collection of contractual cash flows, where the contractual cash flows on the instrument are SPPI, and that are not designated at fair value through profit or loss.
- *Fair value through other comprehensive income (FVOCI)* – This classification applies to financial assets which meet the SPPI test, and are held within a portfolio whose objectives include both the collection of contractual cash flows and the selling of financial assets. These financial assets are subsequently measured at fair value with movements in the fair value recognised in other comprehensive income, with the exception of interest income, ECL and foreign exchange gains and losses that are recognised within profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the income statement.
- *Fair value through profit or loss (FVTPL)* – Financial assets that do not meet the criteria for classification as amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise.

#### *Financial assets – equity instruments*

AASB 9 requires equity instruments to be measured at FVTPL but permits non-traded equity investments to be designated at FVOCI on an instrument by instrument basis. Gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, the gains or losses may be reclassified within equity. These instruments are not subject to impairment assessment.

#### *Financial liabilities*

The Group adopted the AASB 9 requirement to recognise changes in the fair value of financial liabilities designated at fair value through the Income Statement that are attributable to changes in own credit risk in other comprehensive income on 1 January 2014. There were no other changes to the classification and measurement of financial liabilities as a result of adoption of AASB 9.

Refer to Note 12.6 for the accounting policies that applied to financial instruments for comparative periods.

### AASB 15 'Revenue from contracts with customers'

On 1 July 2018, the Group adopted AASB 15 'Revenue from Contracts with Customers', replacing the previous standard, AASB 118 'Revenue'. Under AASB 118, revenue was recognised when risks and rewards transferred from the seller to the buyer. AASB 15 has introduced a single, principle-based five-step recognition and measurement model for revenue recognition. The five steps are:

1. Identify the contract with a customer;
2. Identify the separate performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to each performance obligation identified in Step 2; and
5. Recognise revenue when a performance obligation is satisfied.

Where there is variable consideration in calculating a transaction price, revenue will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur. AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases.

The Group has used the modified retrospective approach in adopting AASB 15 which recognises the cumulative effect of initial application through opening retained earnings as at 1 July 2018. The Group has not restated the comparative period financial statements. The modified retrospective approach applied to contracts not completed at 30 June 2018.

The significant changes to the Group as a result of adopting AASB 15 are:

- *Trail commissions:* Certain trail commission income and expenses that were previously recognised over time by the Group, are recognised at the start of a contract when the performance obligation has been met. This has resulted in the Group recognising the net present value of expected future trail commission income and expenses. For investment referral services, the Group is unable to forecast the trail commission revenue in line with the highly probable test in AASB 15. Therefore trail commission revenue and expenses on investment referral balances are recognised when received or paid; and
- *Upfront fees:* Certain fees in relation to lending, lease and guarantees arrangements are no longer recognised upfront but when the performance obligation to the customer is delivered, which is generally over the life of these contractual arrangements. Where the performance obligation is the Group providing a loan, lease arrangement or guarantee over a contractual period, these fees previously recognised upfront are amortised over the expected life of the contracts. This has also resulted in a reclassification of the fees from other banking income to interest income.

Refer to Note 12.6 for the accounting policies that applied to revenue recognition for comparative periods.

## 1.1 General information, basis of accounting, changes in accounting policies (continued)

### Impacts of adopting AASB 9 and AASB 15

The tables below summarise the adjustments arising on adoption of AASB 9 and AASB 15. The adjustments have been recognised against the Group's and the Bank's opening retained profits and reserves as at 1 July 2018.

	30 Jun 18 \$M	AASB 9 Classification and Measurement					AASB 9 Impairment		AASB 15 Revenue		Group 1 Jul 18 \$M
		High Quality Liquid Assets (HQLAs)	NZD Liquid Assets	Non-Traded Equities	Loans with Embedded Features	NZD Certificates of Deposit	\$M	\$M	Trail Commission	Upfront Fees	\$M
		\$M	\$M	\$M	\$M	\$M			\$M	\$M	
<b>Assets</b>											
Assets at fair value through Income Statement	32,884	-	(2,148)	235	65	-	-	-	-	-	31,036
Derivative assets	32,133	-	-	-	(56)	-	-	-	-	-	32,077
Available-for-sale investments	82,240	(78,145)	(3,797)	(298)	-	-	-	-	-	-	-
Investment securities											
At amortised cost	-	7,121	-	-	-	-	-	-	-	-	7,121
At fair value through OCI	-	71,020	5,945	63	-	-	-	-	-	-	77,028
Loans, bills discounted and other receivables	743,365	-	-	-	(10)	-	(968)	-	-	(151)	742,236
Intangible assets	9,090	-	-	-	-	-	-	(72)	-	-	9,018
Deferred tax assets	1,439	1	-	-	-	-	299	64	72	-	1,875
Other assets	6,924	-	-	-	-	-	(10)	351	(8)	-	7,257
Other financial and non-financial assets	67,090	-	-	-	-	-	-	-	-	-	67,090
<b>Total assets</b>	<b>975,165</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(679)</b>	<b>343</b>	<b>(87)</b>		<b>974,738</b>
<b>Liabilities</b>											
Deposits and other public borrowings	622,234	-	-	-	-	1,141	-	-	-	-	623,375
Liabilities at fair value through Income Statement	10,247	-	-	-	-	(1,141)	-	-	-	-	9,106
Derivative liabilities	28,472	-	-	-	(1)	-	-	-	-	-	28,471
Deferred tax liabilities	-	-	-	-	-	-	2	102	(3)	-	101
Other provisions	1,860	-	-	-	-	-	87	-	-	-	1,947
Bills payable and other liabilities	11,625	-	-	-	-	-	-	223	118	-	11,966
Other financial and non-financial liabilities	232,867	-	-	-	-	-	-	-	-	-	232,867
<b>Total liabilities</b>	<b>907,305</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>89</b>	<b>325</b>	<b>115</b>		<b>907,833</b>
<b>Shareholders' Equity</b>											
Share capital	37,270	-	-	-	-	-	-	-	-	-	37,270
Reserves	1,676	(3)	-	-	-	-	3	-	-	-	1,676
Retained profits	28,360	-	-	-	-	-	(771)	18	(202)	-	27,405
Non-controlling interest	554	-	-	-	-	-	-	-	-	-	554
<b>Total Shareholders' equity</b>	<b>67,860</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(768)</b>	<b>18</b>	<b>(202)</b>		<b>66,905</b>

## 1.1 General information, basis of accounting, changes in accounting policies (continued)

### Impacts of adopting AASB 9 and AASB 15 (continued)

		AASB 9 Classification and Measurement			AASB 9 Impairment	AASB 15 Revenue		Bank
	30 Jun 18 \$M	High Quality Liquid Assets (HQLAs) \$M	Non-Traded Equities \$M	Loans with Embedded Features \$M	\$M	Trail Commission \$M	Upfront Fees \$M	1 Jul 18 \$M
<b>Assets</b>								
Assets at fair value through Income Statement	29,993	-	-	65	-	-	-	30,058
Derivative assets	30,885	-	-	(56)	-	-	-	30,829
Available-for-sale investments	77,731	(77,686)	(45)	-	-	-	-	-
Investment securities:								
At amortised cost	-	7,121	-	-	-	-	-	7,121
At fair value through OCI	-	70,561	45	-	-	-	-	70,606
Loans, bills discounted and other receivables	656,650	-	-	(10)	(895)	-	(134)	655,611
Shares in and loans to controlled entities	118,252	-	-	-	(23)	-	-	118,229
Deferred tax assets	1,430	1	-	-	279	-	74	1,784
Other assets	6,212	-	-	-	(7)	91	-	6,296
Other financial and non-financial assets	49,399	-	-	-	-	-	-	49,399
<b>Total assets</b>	<b>970,552</b>	<b>(3)</b>	<b>-</b>	<b>(1)</b>	<b>(646)</b>	<b>91</b>	<b>(60)</b>	<b>969,933</b>
<b>Liabilities</b>								
Derivative liabilities	30,871	-	-	(1)	-	-	-	30,870
Due to controlled entities	105,327	-	-	-	-	-	16	105,343
Deferred tax liabilities	-	-	-	-	-	27	-	27
Other provisions	1,561	-	-	-	84	-	-	1,645
Bills payable and other liabilities	10,145	-	-	-	-	-	124	10,269
Other financial and non-financial liabilities	758,728	-	-	-	-	-	-	758,728
<b>Total liabilities</b>	<b>906,632</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>84</b>	<b>27</b>	<b>140</b>	<b>906,882</b>
<b>Shareholders' Equity</b>								
Share capital	37,533	-	-	-	-	-	-	37,533
Reserves	2,568	(3)	-	-	2	-	-	2,567
Retained profits	23,819	-	-	-	(732)	64	(200)	22,951
<b>Total Shareholders' equity</b>	<b>63,920</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(730)</b>	<b>64</b>	<b>(200)</b>	<b>63,051</b>

## 1.1 General information, basis of accounting, changes in accounting policies (continued)

### Adoption of AASB 9 classification and measurement

**High Quality Liquid Assets (HQLA):** under AASB 139, \$78,145 million of the Group's HQLA were included in Available-for-Sale investments (Bank: \$77,686 million). \$7,121 million of the Group's HQLA (Bank: \$7,121 million) previously included in Available-for-Sale assets were held within the business model held to collect and have been reclassified to Investment securities at amortised cost under AASB 9. These financial assets have been restated to amortised cost and \$4 million of unrealised gains (before tax) previously recognised by the Group (Bank: \$4 million unrealised gain) in the Available-for-Sale revaluation reserve have been reversed against the carrying value of the assets on 1 July 2018. This also led to a reversal of the deferred tax previously recognised in relation to unrealised gains on these securities through reserves. The Group's deferred tax asset has increased by \$1 million (Bank: \$1 million increase) and the reserves have decreased by \$3 million (Bank: \$3 million decrease).

\$71,020 million of the Group's HQLA (Bank: \$70,561 million) previously included in Available-for-Sale assets were held within the business model held to collect and sell and have been reclassified to Investment securities at FVOCI under AASB 9. The reclassification did not have an impact on retained profits or reserves.

The fair value of HQLA reclassified from Available-for-Sale Investments to Investment Securities at amortised cost on adoption of AASB 9 and held as at 30 June 2019 was \$5,316 million. The fair value loss that would have been recognised on these securities in Other comprehensive Income as at 30 June 2019 was \$9 million.

**NZD liquid assets:** under AASB 139, \$3,797 million of the Group's NZD liquid assets were included in Available-for-Sale investments with the remaining \$2,148 million measured at FVTPL. These financial assets were held within the business model held to collect and sell and have been reclassified to Investment securities at FVOCI under AASB 9. The reclassification did not have a material impact on retained profits or reserves.

As at 30 June 2019, the Group did not hold any of the NZD liquid assets reclassified from Assets at FVTPL to Investment securities at FVOCI on adoption of AASB 9. The average interest rate on these instruments on 1 July 2018 was 1.91% and the interest income recognised for the year ended 30 June 2019 was \$7 million.

**Non-traded equity instruments:** the Group had \$298 million of non-traded equity instruments included in Available-for-sale investment under AASB 139 (Bank: \$45 million). One of the Group's equity securities of \$235 million was reclassified to Assets at FVTPL under AASB 9. The Group's remaining \$63 million (Bank: \$45 million) of equity securities have been

reclassified to Investment securities at FVOCI under AASB 9. The reclassifications did not have a material impact on retained profits or reserves.

**Loans with embedded derivatives:** the Group and the Bank issued loans with embedded derivative features. Under AASB 139, the embedded derivatives were bifurcated and accounted for as standalone derivatives at FVTPL; the host loan contracts were measured at amortised cost and included in Loans, bills discounted and other receivables on the Balance sheet. The contractual cash flows on these instruments are not solely payments of principal and interest and they have been reclassified to Assets at FVTPL together with the related embedded derivative features. The reclassification did not have an impact on retained profits.

**NZD Certificate of Deposits (CD):** Under AASB 9, \$1,141 million of the Group's NZD CDs have been reclassified from liabilities at FVTPL to liabilities at amortised cost, as the CDs are not held for trading. The reclassification did not have a material impact on retained profits or reserves.

As at 30 June 2019, the Group did not hold any of NZD CDs reclassified from liabilities at FVTPL to liabilities at amortised cost on adoption of AASB 9. The average interest rate on these instruments on 1 July 2018 was 2.0% and the interest expense recognised for the year ended 30 June 2019 was \$3 million.

### Adoption of AASB 9 Impairment

The adoption of AASB 9 impairment requirements resulted in a \$1,058 million increase in the Group's collective provisions (Bank: \$1,004 million increase). This includes \$968 million for loans, bills discounted and other receivables, \$87 million for off-balance sheet instruments (recognised in other provisions), \$3 million for investment securities at FVOCI (recognised in reserves) (Bank: \$895 million for loans, bills discounted and other receivables, \$23 million for loans to controlled entities, \$84 million for off-balance sheet instruments and \$2 million for investment securities at FVOCI). In addition, the Group recognised a \$10 million provision in relation to non-lending assets that are not in scope of AASB 9 collective provisioning models (Bank: \$7 million). The transition resulted in a \$299 million increase in the Group's deferred tax assets (Bank: \$279 million increase), a \$2 million increase in deferred tax liabilities (Bank: nil) and a corresponding \$771 million decrease in retained profits (Bank: \$732 million decrease) as at 1 July 2018.

The increase in impairment provisions was mostly driven by the AASB 9 requirement to hold provisions equivalent to lifetime expected losses for all loans that have experienced a significant increase in credit risk since origination and the impact of forward looking factors on expected credit losses estimates.



## 1.1 General information, basis of accounting, changes in accounting policies (continued)

### Adoption of AASB 9 Impairment (continued)

The following tables provide a reconciliation between provisions for impairment under AASB 139 as at 30 June 2018 and provisions for impairment determined in accordance with AASB 9 on 1 July 2018 for the Group and the Bank:

		Previous measurement category under AASB 139	Provision for impairment under AASB 139	Remeasurement	Group Impairment provision under AASB 9
<b>Financial assets under AASB 9</b>					
Investment securities:					
At amortised cost	Available-for-sale	-	-	-	-
At fair value through other comprehensive income <sup>(1)</sup>	Available-for-sale	-	-	3	3
Loans, bills discounted and other receivables <sup>(2)</sup>	Amortised cost	3,605	968		4,573
Financial guarantees and other off-balance sheet items		28	87		115
<b>Total</b>			<b>3,633</b>	<b>1,058</b>	<b>4,691</b>

(1) Impairment losses in relation to Investment securities at fair value through Other Comprehensive Income are recognised in Other Comprehensive Income and are not included in total impairment provisions.

(2) Under AASB 9, Loans, bills discounted and other receivables are measured at amortised cost.

		Previous measurement category under AASB 139	Provision for impairment under AASB 139	Remeasurement	Bank Impairment provision under AASB 9
<b>Financial assets under AASB 9</b>					
Investment securities:					
At amortised cost	Available-for-sale	-	-	-	-
At fair value through other comprehensive income <sup>(1)</sup>	Available-for-sale	-	-	2	2
Loans, bills discounted and other receivables <sup>(2)</sup>	Amortised cost	3,261	895		4,156
Loans to controlled entities <sup>(2)</sup>	Amortised cost	-	-	23	23
Financial guarantees and other off-balance sheet items		28	84		112
<b>Total</b>			<b>3,289</b>	<b>1,004</b>	<b>4,293</b>

(1) Impairment losses in relation to Investment securities at fair value through Other Comprehensive Income are recognised in Other Comprehensive Income and are not included in total impairment provisions.

(2) Under AASB 9, Loans, bills discounted and other receivables, and Loans to controlled entities are measured at amortised cost.

## 1.1 General information, basis of accounting, changes in accounting policies (continued)

### Adoption of AASB 9 Impairment (continued)

The table below presents the Group's total impairment provisions on lending assets by ECL stage as at 1 July 2018.

Portfolio <sup>(1)</sup>	Impairment provisions, \$M				Group 1 Jul 18
	Stage 1	Stage 2	Stage 3	Stage 3	Total
	12 months ECL Collectively assessed	Lifetime ECL Collectively assessed	Lifetime ECL Collectively assessed	Lifetime ECL Individually assessed	
<b>Retail</b>					
Secured lending	206	410	113	253	982
Unsecured lending	525	847	233	3	1,608
<b>Total retail</b>	731	1,257	346	256	2,590
<b>Non-retail</b>					
Corporate and business lending, bank and sovereign entities <sup>(2)</sup>	145	1,268	74	614	2,101
<b>Total</b>	<b>876</b>	<b>2,525</b>	<b>420</b>	<b>870</b>	<b>4,691</b>

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees and debt securities classified at fair value through OCI.

(2) Stage 1 provision includes \$3 million ECL in relation to investment securities at fair value through OCI.

The table below presents the Bank's total impairment provisions on lending assets (excluding loans to controlled entities) by ECL stage as at 1 July 2018.

Portfolio <sup>(1) (2)</sup>	Impairment provisions, \$M				Bank 1 Jul 18
	Stage 1	Stage 2	Stage 3	Stage 3	Total
	12 months ECL Collectively assessed	Lifetime ECL Collectively assessed	Lifetime ECL Collectively assessed	Lifetime ECL Individually assessed	
<b>Retail</b>					
Secured lending	174	372	105	236	887
Unsecured lending	482	818	219	3	1,522
<b>Total retail</b>	656	1,190	324	239	2,409
<b>Non-retail</b>					
Corporate and business lending, bank and sovereign entities <sup>(3)</sup>	129	1,123	69	540	1,861
<b>Total</b>	<b>785</b>	<b>2,313</b>	<b>393</b>	<b>779</b>	<b>4,270</b>

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees and debt securities classified at fair value through OCI.

(2) Impairment provisions exclude \$23 million recognised in relation to the Bank's loans to controlled entities.

(3) Stage 1 provision includes \$2 million ECL in relation to investment securities at fair value through OCI.

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## 1.1 General information, basis of accounting, changes in accounting policies (continued)

### Adoption of AASB 15

**Trail Commission:** The Group's Other assets and Bills payable and other liabilities have increased by \$351 million and \$223 million, respectively, to reflect the recognition of trail commission receivable and payable across various arrangements across the Group (Bank: \$91 million increase in Other Assets). This reflects the upfront recognition of certain future trail commission income and expenses when a performance obligation has been met, such as when a new customer is introduced into a product. This change also led to a \$72 million decrease in the Group's goodwill on the acquisition of Aussie Home Loans, a \$64 million and \$102 million increase in deferred tax assets and deferred tax liabilities, respectively (Bank: \$27 million increase in deferred tax liability). The impact of this change on the Group's retained profits as at 1 July 2018 was an increase of \$18 million (Bank: an increase of \$64 million).

**Upfront fees:** Upfront fees in relation to lending and guarantee arrangements are no longer recognised upfront. Instead, income is recognised over the life of the contractual arrangements. Establishment fees on financing facilities are deferred on the Group's and the Bank's Balance Sheets in Loans, bills discounted and other receivables, and amortised to interest income over the expected life of the loan in accordance with AASB 9. From 1 July 2018, this has also resulted in a reclassification of income from other banking income to interest income. In addition, other annual fees are deferred on the Balance Sheet in Bills payable and other liabilities when received and recognised in other banking income on a straight-line basis throughout the year. The impact for the Group as at 1 July 2018 includes a reduction in Loans, bills discounted and other receivables of \$151 million (Bank: \$134 million reduction), a reduction in Other assets of \$8 million (Bank: \$ nil), and an increase in Bills payable and other liabilities of \$118 million (Bank: \$124 million increase). It has also led to a \$16 million increase in the Bank's balances Due to controlled entities. The deferral of upfront fees from existing customer contracts resulted in a one-off increase in the Group's deferred tax assets of \$72 million (Bank: \$74 million) and a decrease in deferred tax liabilities of \$3 million (Bank: \$ nil). The impact of this change on the Group's retained profits as at 1 July 2018 was a reduction of \$202 million (Bank: \$200 million).

## 2. Our performance

### Overview

The Group earns its returns from providing a broad range of banking and wealth management products and services to retail and wholesale customers in Australia, New Zealand and other jurisdictions.

Lending and deposit taking are the Group's primary business activities with net interest income being the main contributor to the Group's results. Net interest income is derived from the difference between interest earned on lending and investment assets and interest incurred on customer deposits and wholesale debt raised to fund these assets.

The Group further generates income from lending fees and commissions, general insurance products and trading activities. It also incurs costs associated with running the business such as staff, occupancy and technology related expenses.

The Performance section provides details of the main contributors to the Group's returns and analysis of its financial performance by business segments and geographical regions.

### 2.1 Net interest income

	Group <sup>(1) (2) (3)</sup>			Bank <sup>(2) (3)</sup>	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Interest Income</b>					
Effective interest income:					
Loans and bills discounted	31,449	31,315	30,628	27,744	27,861
Other financial institutions	181	140	149	171	121
Cash and liquid assets	572	459	321	528	427
Investment securities:					
At amortised cost	199	-	-	199	-
At fair value through Other Comprehensive Income	1,688	-	-	1,559	-
Available-for-sale investments	-	1,729	1,607	-	1,639
Controlled entities	-	-	-	2,759	2,483
<b>Total effective interest income</b>	<b>34,089</b>	<b>33,643</b>	<b>32,705</b>	<b>32,960</b>	<b>32,531</b>
Other:					
Assets at fair value through Income Statement	499	501	490	499	465
<b>Total interest income</b>	<b>34,588</b>	<b>34,144</b>	<b>33,195</b>	<b>33,459</b>	<b>32,996</b>
<b>Interest Expense</b>					
Deposits	9,948	9,843	10,409	8,394	8,380
Other financial institutions	464	418	300	435	379
Liabilities at fair value through Income Statement	172	167	102	162	142
Debt issues	4,563	4,169	4,159	3,625	3,286
Loan capital	951	836	679	917	801
Bank levy	370	369	-	370	369
Controlled entities	-	-	-	3,502	3,228
<b>Total interest expense</b>	<b>16,468</b>	<b>15,802</b>	<b>15,649</b>	<b>17,405</b>	<b>16,585</b>
<b>Net interest income</b>	<b>18,120</b>	<b>18,342</b>	<b>17,546</b>	<b>16,054</b>	<b>16,411</b>

(1) Information has been restated and presented on a continuing operations basis.

(2) Information has been restated to conform to presentation in the current year.

(3) Current year amounts reflect the adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. As permitted by AASB 9 and AASB 15 comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15 refer to Note 1.1.

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## 2.1 Net interest income (continued)

### Accounting policies

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Interest income and interest expense on financial assets and liabilities are measured using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial instrument, such as a loan, deposit or issued debt instrument, and allocates the interest income or interest expense over the expected life of the financial instrument.

Interest income is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying amounts net of impairment provisions for financial assets in Stage 3.

Fees, transaction costs and issue costs integral to the financial assets and liabilities are capitalised and included in the interest recognised over the expected life of the instrument. This includes fees for providing a loan or a lease arrangement.

Interest income on finance leases is recognised progressively over the life of the lease, consistent with the outstanding investment and unearned income balance.

Interest expense also includes payments made under a liquidity facility arrangement with the Reserve Bank of Australia, the Major Bank Levy (Bank Levy) expense and other financing charges.

## 2.2 Average balances and related interest

The following tables have been produced using statutory Balance Sheet and Income Statement categories. The tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate (mostly daily averages). Where assets or liabilities are hedged, the amounts are shown net of the hedge, but individual items not separately hedged may be affected by movements in exchange rates. The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Non-accrual loans are included in interest earning assets under Loans, bills discounted and other receivables. The official cash rate in both Australia and New Zealand (which is reflected in overseas) decreased 25 basis points in financial year 2019 (2018: no changes, 2017: 25 basis points decrease for Australia, and 50 basis points decrease for New Zealand).

Interest earning assets <sup>(1) (2)</sup>	30 Jun 19			30 Jun 18			Group 30 Jun 17		
	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %
Cash and liquid assets									
Australia	18,415	367	2.0	19,087	313	1.6	17,734	274	1.5
Overseas	20,238	205	1.0	18,898	146	0.8	19,626	47	0.2
Receivables due from other financial institutions									
Australia	2,095	52	2.5	2,290	50	2.2	2,266	17	0.8
Overseas	5,799	129	2.2	5,997	90	1.5	8,850	132	1.5
Assets at fair value through Income Statement (excluding life insurance)									
Australia	24,651	488	2.0	20,761	444	2.1	21,731	422	1.9
Overseas	822	11	1.3	4,070	57	1.4	3,895	68	1.7
Investment Securities:									
At amortised cost									
Australia	6,887	199	2.9	-	-	-	-	-	-
Overseas	5	-	0.6	-	-	-	-	-	-
At fair value through OCI									
Australia	57,088	1,329	2.3	-	-	-	-	-	-
Overseas	18,640	359	1.9	-	-	-	-	-	-
Available-for-sale investments									
Australia	-	-	-	66,241	1,479	2.2	66,615	1,458	2.2
Overseas	-	-	-	17,011	250	1.5	13,870	149	1.1
Loans, bills discounted and other receivables <sup>(3)</sup>									
Australia <sup>(4)</sup>	603,394	26,524	4.4	597,343	26,711	4.5	581,093	26,160	4.5
Overseas	106,140	4,925	4.6	102,566	4,604	4.5	99,061	4,468	4.5
<b>Total interest earning assets and interest income</b>	<b>864,174</b>	<b>34,588</b>	<b>4.0</b>	<b>854,264</b>	<b>34,144</b>	<b>4.0</b>	<b>834,741</b>	<b>33,195</b>	<b>4.0</b>

(1) Information has been restated and presented on a continuing operations basis.

(2) Comparative information has been restated to conform to presentation in the current year.

(3) Loans, bills discounted and other receivables include bank acceptances.

(4) Net of average mortgage offset balances that are included in Non-interest earning assets. Gross Australian loan balance is \$648,569 million (2018: \$638,167 million, 2017: \$616,418 million).



## 2.2 Average balances and related interest (continued)

	30 Jun 19	30 Jun 18	Group 30 Jun 17
	Average Balance \$M	Average Balance \$M	Average Balance \$M
<b>Non-interest earning assets</b>			
Assets at fair value through Income Statement - Insurance <sup>(1)</sup>			
Australia	-	-	12,105
Overseas	-	377	2,477
Property, plant and equipment			
Australia <sup>(2)</sup>	2,208	2,344	3,743
Overseas	244	252	289
Other assets			
Australia <sup>(2) (3)</sup>	86,413	95,521	108,931
Overseas	10,175	11,924	13,774
Provisions for impairment			
Australia	(4,026)	(3,203)	(3,303)
Overseas	(599)	(466)	(424)
<b>Total non-interest earning assets</b>	<b>94,415</b>	<b>106,749</b>	<b>137,592</b>
Assets held for sale			
Australia	15,128	13,046	-
Overseas	1,829	2,228	-
<b>Total assets</b>	<b>975,546</b>	<b>976,287</b>	<b>972,333</b>
<b>Percentage of total assets applicable to overseas operations (%)</b>	<b>16. 7</b>	<b>16. 7</b>	<b>16. 6</b>

(1) As at 30 June 2019, Insurance assets of CommInsure Life and PT Commonwealth Life are presented as assets held for sale. As at 30 June 2018, Insurance assets of CommInsure Life and Sovereign are presented as assets held for sale.

(2) Comparative information has been restated to conform to presentation in the current year.

(3) Includes average mortgage offset balances.

## 2.2 Average balances and related interest (continued)

Interest bearing liabilities <sup>(1) (2)</sup>	30 Jun 19			30 Jun 18			Group 30 Jun 17		
	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %
Time deposits									
Australia <sup>(3)</sup>	203,750	5,164	2. 5	203,694	5,038	2. 5	207,501	5,535	2. 7
Overseas	53,836	1,746	3. 2	51,291	1,532	3. 0	48,461	1,357	2. 8
Savings deposits									
Australia <sup>(3)</sup>	144,686	1,588	1. 1	146,346	1,812	1. 2	147,705	2,059	1. 4
Overseas	14,335	167	1. 2	14,414	205	1. 4	16,136	313	1. 9
Other demand deposits									
Australia	114,193	1,151	1. 0	112,195	1,120	1. 0	103,193	987	1. 0
Overseas	8,765	132	1. 5	8,136	136	1. 7	8,154	158	1. 9
Payables due to other financial institutions									
Australia	8,852	221	2. 5	10,292	196	1. 9	11,098	158	1. 4
Overseas	12,709	243	1. 9	16,648	222	1. 3	19,235	142	0. 7
Liabilities at fair value through Income Statement									
Australia	9,372	162	1. 7	7,557	141	1. 9	7,049	63	0. 9
Overseas	1,054	10	0. 9	1,332	26	2. 0	1,467	39	2. 7
Debt issues <sup>(4)</sup>									
Australia	140,447	3,846	2. 7	138,666	3,463	2. 5	136,614	3,323	2. 4
Overseas	26,676	717	2. 7	28,450	706	2. 5	32,307	836	2. 6
Loan capital									
Australia	15,655	668	4. 3	13,788	556	4. 0	11,239	447	4. 0
Overseas	6,785	283	4. 2	6,774	280	4. 1	5,453	232	4. 3
Bank levy									
Australia	-	370	-	-	369	-	-	-	-
Overseas	-	-	-	-	-	-	-	-	-
<b>Total interest bearing liabilities and interest expense</b>	<b>761,115</b>	<b>16,468</b>	<b>2. 2</b>	<b>759,583</b>	<b>15,802</b>	<b>2. 1</b>	<b>755,612</b>	<b>15,649</b>	<b>2. 1</b>

(1) Information has been restated and presented on a continuing operations basis.

(2) Comparative information has been restated to conform to presentation in the current year.

(3) Net of average mortgage offset balances that are included in Non-interest bearing liabilities.

(4) Debt issues include bank acceptances.

## 2.2 Average balances and related interest (continued)

	30 Jun 19	30 Jun 18	Group 30 Jun 17
	Average Balance	Average Balance	Average Balance
	\$M	\$M	\$M
<b>Non-interest bearing liabilities</b>			
Deposits not bearing interest			
Australia <sup>(1)</sup>	91,316	83,949	72,303
Overseas	4,897	4,193	3,671
Insurance policy liabilities			
Australia	-	-	11,190
Overseas	-	466	1,368
Other liabilities			
Australia	25,532	37,250	53,418
Overseas	9,430	10,255	12,796
<b>Total non-interest bearing liabilities</b>	<b>131,175</b>	<b>136,113</b>	<b>154,746</b>
Liabilities held for sale			
Australia	13,855	13,413	-
Overseas	1,025	1,308	-
<b>Total liabilities</b>	<b>907,170</b>	<b>910,417</b>	<b>910,358</b>
Shareholders' Equity	68,376	65,870	61,975
<b>Total liabilities and Shareholders' Equity</b>	<b>975,546</b>	<b>976,287</b>	<b>972,333</b>
<b>Total liabilities applicable to overseas operations (%)</b>	<b>15. 4</b>	<b>15. 7</b>	<b>16. 4</b>

(1) Includes average mortgage offset balance.

## 2.2 Average balances and related interest (continued)

### Changes in Net Interest Income: Volume and Rate Analysis

The following tables show the movement in interest income and expense due to changes in volume and interest rates. Volume variances reflect the change in interest from the prior year due to movement in the average balance. Rate variances reflect the change in interest from the prior year due to changes in interest rates.

Volume and rate variance for total interest earning assets and interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

Changes in net interest income: Volume and rate analysis <sup>(1) (2)</sup>	June 2019 vs June 2018			June 2018 vs June 2017		
	Volume \$M	Rate \$M	Total \$M	Volume \$M	Rate \$M	Total \$M
<b>Interest Earning Assets</b>						
Cash and liquid assets						
Australia	(13)	67	54	22	17	39
Overseas	14	45	59	(6)	105	99
Receivables due from other financial institutions						
Australia	(5)	7	2	1	32	33
Overseas	(4)	43	39	(43)	1	(42)
Assets at fair value through Income Statement (excluding life insurance)						
Australia	77	(33)	44	(21)	43	22
Overseas	(43)	(3)	(46)	2	(13)	(11)
Investment Securities: <sup>(3)</sup>						
Australia	(54)	103	49	(8)	29	21
Overseas	31	78	109	46	55	101
Loans, bills discounted and other receivables						
Australia	266	(453)	(187)	727	(176)	551
Overseas	166	155	321	157	(21)	136
<b>Changes in interest income</b>	<b>397</b>	<b>47</b>	<b>444</b>	<b>780</b>	<b>169</b>	<b>949</b>
<b>Interest Bearing Liabilities and Loan Capital</b>						
Time deposits						
Australia	1	125	126	(94)	(403)	(497)
Overseas	83	131	214	85	90	175
Savings deposits						
Australia	(18)	(206)	(224)	(17)	(230)	(247)
Overseas	(1)	(37)	(38)	(24)	(84)	(108)
Other demand deposits						
Australia	20	11	31	90	43	133
Overseas	9	(13)	(4)	-	(22)	(22)
Payables due to other financial institutions						
Australia	(36)	61	25	(15)	53	38
Overseas	(75)	96	21	(34)	114	80
Liabilities at fair value through Income Statement						
Australia	31	(10)	21	9	69	78
Overseas	(3)	(13)	(16)	(3)	(10)	(13)
Debt issues						
Australia	49	334	383	51	89	140
Overseas	(48)	59	11	(96)	(34)	(130)
Loan capital						
Australia	80	32	112	103	6	109
Overseas	-	3	3	55	(7)	48
Bank levy						
Australia	-	1	1	-	369	369
Overseas	-	-	-	-	-	-
<b>Changes in interest expense</b>	<b>33</b>	<b>633</b>	<b>666</b>	<b>83</b>	<b>70</b>	<b>153</b>
<b>Changes in net interest income</b>	<b>208</b>	<b>(430)</b>	<b>(222)</b>	<b>419</b>	<b>377</b>	<b>796</b>

(1) Information has been restated and presented on a continuing operations basis.

(2) Comparative information has been restated to conform to presentation in the current year.

(3) Investment securities at FVOCI and investment securities at amortised cost have been compared to available-for-sale assets in the prior period.

## 2.3 Other operating income

	Group <sup>(1) (2)</sup>			Bank <sup>(2)</sup>	
	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 19	30 Jun 18
	\$M	\$M	\$M	\$M	\$M
<b>Other Banking Income</b>					
Lending fees	992	1,109	1,078	926	1,032
Commissions	2,673	2,712	2,601	2,277	2,363
Trading income	974	1,025	1,149	874	916
Net gain/(loss) on non-trading financial instruments <sup>(3)</sup>	(113)	58	433	(205)	71
Net gain/(loss) on sale of property, plant and equipment	(9)	(17)	6	(11)	(17)
Net gain from hedging ineffectiveness	13	12	62	16	-
Dividends - Controlled entities	-	-	-	1,229	2,029
Dividends - Other	5	10	10	122	56
Share of profit from associates and joint ventures net of impairment	296	317	270	27	(7)
Other <sup>(4)</sup>	163	197	112	789	922
<b>Total other banking income <sup>(5)</sup></b>	<b>4,994</b>	<b>5,423</b>	<b>5,721</b>	<b>6,044</b>	<b>7,365</b>
<b>Net Funds Management Operating Income</b>					
Funds management income	1,233	1,259	1,200	-	-
Claims, policyholder liability and commission expense	(160)	(135)	(162)	-	-
<b>Net funds management operating income</b>	<b>1,073</b>	<b>1,124</b>	<b>1,038</b>	<b>-</b>	<b>-</b>
<b>Net Insurance Operating Income</b>					
Premiums from insurance contracts	682	687	643	-	-
Investment revenue	5	4	4	-	-
Claims, policyholder liability and commission expense from insurance contracts	(537)	(450)	(469)	-	-
<b>Net insurance operating income</b>	<b>150</b>	<b>241</b>	<b>178</b>	<b>-</b>	<b>-</b>
<b>Total other operating income</b>	<b>6,217</b>	<b>6,788</b>	<b>6,937</b>	<b>6,044</b>	<b>7,365</b>

(1) Information has been restated and presented on a continuing operations basis.

(2) Current year amounts reflect the adoption of AASB 15 'Revenue from contracts with customers' on 1 July 2018. As permitted by AASB 15 comparative information has not been restated. For details on the adoption of AASB 15 refer to Note 1.1.

(3) Inclusive of non-trading derivatives that are held for risk management purposes.

(4) Includes depreciation of \$72 million in relation to assets held for lease by the Group (30 June 2018: \$74 million, 30 June 2017: \$88 million). Includes depreciation of \$8 million in relation to assets held for lease by the Bank (30 June 2018: \$9 million).

(5) The year ended 30 June 2019 includes \$280 million income from the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) and eChoice (30 June 2018: \$233 million).

	Group			Bank	
	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 19	30 Jun 18
	\$M	\$M	\$M	\$M	\$M
<b>Net hedging ineffectiveness comprises:</b>					
Gain/(loss) on fair value hedges:					
Hedging instruments	567	(757)	841	(614)	(759)
Hedged items	(558)	765	(799)	624	763
Cash flow and net investment hedge ineffectiveness	4	4	20	6	(4)
<b>Net hedging ineffectiveness</b>	<b>13</b>	<b>12</b>	<b>62</b>	<b>16</b>	<b>-</b>

## 2.3 Other operating income (continued)

### Accounting policies

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Lending fees and commission income include:

- Facility fees earned for managing and administering credit and other facilities for customers. These fees are generally charged to the customer on a monthly or annual basis and are recognised as revenue over the service period. Annual fees are deferred on Balance Sheet in Bills payable and other liabilities and recognised on a straight line basis over the year. Transaction based fees are charged and recognised at the time of the transaction.
- Commitment fees and upfront fees in relation to lending, lease and guarantee arrangements are deferred and recognised over the life of the contractual arrangements. Commitment fees to originate a loan that is unlikely to be drawn down are charged upfront to the customer and are recognised when the commitment is issued.
- Establishment fees on financing facilities are deferred and amortised to interest income over the expected life of the loan and are not recognised in Other banking income.
- Fee income earned for providing advisory or arrangement services, placement and underwriting services. These fees are recognised and charged when the related service is completed which is typically at the time of the transaction.
- Trail commissions are recognised at the start of a contract when the performance obligation has been met, typically when a customer is introduced to a new product. The Group recognises the net present value of expected future trail commission income. For investment referral services, the Group is unable to forecast the trail commission revenue in line with the highly probable test in AASB 15. Therefore, trail commission revenue on investment referral balances are recognised when received or paid.

Trading income represents both realised and unrealised gains and losses from changes in the fair value of trading assets, liabilities and derivatives, which are recognised in the period in which they arise.

Net gain/(loss) on non-trading financial instruments includes realised gains and losses from non-trading financial assets and liabilities (i.e. investment securities in the year ended 30 June 2019; available-for-sale securities in the years ended 30 June 2018 and 2017), as well as realised and unrealised gains and losses on non-trading derivatives that are held for risk management purposes.

Net gain/(loss) on the disposal of property, plant and equipment is the difference between proceeds received and its carrying value.

Net hedging ineffectiveness is measured on fair value, cash flow and net investment hedges.

Dividends received on non-trading equity investments are recognised on the ex-dividend date or when the right to receive payment is established.

Funds management operating income includes fees earned where the Group acts as the Responsible Entity, Trustee or Manager for a number of wholesale, superannuation, and investment funds or trusts. Fund management services are a single performance obligation and fees are recognised over the service period. Management fees are calculated and deducted from the funds on a monthly basis. Performance fees are deemed to be a variable component of the fund management service and only recognised when it is highly probable that a significant reversal of the fees will not occur.

General insurance premiums received and receivable are recognised as revenue when they are earned, based on actuarial assessment of the likely pattern in which risk will emerge. The portion not yet earned based on the pattern assessment is recognised as an unearned premium liability. Claims are recognised as an expense when the liability is established.

The Group equity accounts for its share of the profits or losses of associate or joint venture investments, net of impairment recognised. Dividends received are recognised as a reduction of the investment carrying amount.

Other income includes rental income on operating leases which are recognised on a straight line basis over the lease term. This is offset by depreciation and impairment expense on the associated operating lease assets held by the Group.

Other income also includes the impact of foreign currency revaluations for foreign currency monetary assets and liabilities. These assets and liabilities are retranslated at the spot rate at balance date. Exchange differences arising upon settling or translating monetary items at different rates to those at which they were initially recognised or previously reported, are recognised in the Income Statement.

#### Critical accounting judgements and estimates

The amount of trail commission revenue is dependent on assumptions about the behavioural life of the underlying transaction generating the commission. Trail commission income is only recognised to the extent it is highly probable it will not reverse in future periods.



## 2.4 Operating expenses

	Group <sup>(1) (2)</sup>			Bank <sup>(2)</sup>	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Staff Expenses</b>					
Salaries and related on-costs	5,418	4,963	4,885	4,998	4,587
Share-based compensation	99	69	106	115	91
Superannuation	398	407	468	388	400
<b>Total staff expenses</b>	<b>5,915</b>	<b>5,439</b>	<b>5,459</b>	<b>5,501</b>	<b>5,078</b>
<b>Occupancy and Equipment Expenses</b>					
Operating lease rentals	654	665	635	580	591
Depreciation of property, plant and equipment	270	271	260	247	245
Other occupancy expenses	174	198	177	164	185
<b>Total occupancy and equipment expenses</b>	<b>1,098</b>	<b>1,134</b>	<b>1,072</b>	<b>991</b>	<b>1,021</b>
<b>Information Technology Services</b>					
Application maintenance and development	721	553	431	734	588
Data processing	183	200	200	179	198
Desktop	142	153	183	129	140
Communications	217	179	179	205	155
Amortisation of software assets <sup>(3)</sup>	598	563	903	563	517
Software write-offs	13	71	6	13	71
IT equipment depreciation	93	80	60	79	67
<b>Total information technology services</b>	<b>1,967</b>	<b>1,799</b>	<b>1,962</b>	<b>1,902</b>	<b>1,736</b>
<b>Other Expenses</b>					
Postage and stationery	159	177	183	151	163
Transaction processing and market data	156	138	143	131	120
Fees and commissions:					
Professional fees	490	671	379	470	651
Other	239	133	73	65	5
Advertising, marketing and loyalty	453	496	462	362	400
Amortisation of intangible assets (excluding software and merger related amortisation)	11	13	11	-	-
Non-lending losses <sup>(4)</sup>	656	838	122	617	829
Impairment on investments in subsidiaries	-	-	-	-	231
Other	125	157	263	148	242
<b>Total other expenses</b>	<b>2,289</b>	<b>2,623</b>	<b>1,636</b>	<b>1,944</b>	<b>2,641</b>
<b>Operating expenses before restructuring, separation and transaction costs</b>	<b>11,269</b>	<b>10,995</b>	<b>10,129</b>	<b>10,338</b>	<b>10,476</b>
Restructuring, separation and transaction costs <sup>(5)</sup>	104	34	4	295	227
<b>Total operating expenses <sup>(6) (7)</sup></b>	<b>11,373</b>	<b>11,029</b>	<b>10,133</b>	<b>10,633</b>	<b>10,703</b>

(1) Information has been restated and presented on a continuing operations basis.

(2) Comparative information has been restated to conform to presentation in the current year.

(3) The year ended 30 June 2019 includes \$161 million of amortisation of prepaid software licences (30 June 2018: \$136 million; 30 June 2017: \$141 million). The year ended 30 June 2017 includes a \$393 million one-off expense for acceleration of amortisation on certain software assets.

(4) The year ended 30 June 2019 includes \$145 million professional indemnity insurance recovery in relation to the AUSTRAC civil penalty. The year ended 30 June 2018 includes \$700 million AUSTRAC civil penalty.

(5) The year ended 30 June 2019 includes \$102 million of separation and transaction costs (30 June 2018: \$30 million) and \$2 million of merger related amortisation (30 June 2018: \$4 million; 30 June 2017: \$4 million).

(6) The year ended 30 June 2019 includes \$269 million of expenses due to the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) and eChoice mortgage broking operations (30 June 2018: \$199 million).

(7) The year ended 30 June 2019 includes a \$534 million provision for historical Aligned Advice remediation issues and associated program costs, and \$384 million of Wealth and Banking customer refunds and associated program costs.

## 2.4 Operating expenses (continued)

### Accounting policies

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Salaries and related on-costs include annual leave, long service leave, employee incentives and relevant taxes. Staff expenses are recognised over the period the employee renders the service. Long service leave is discounted to present value using assumptions relating to staff departures, leave utilisation and future salary.

Share-based compensation includes both payments which may be cash or equity settled. Cash settled share-based remuneration is recognised as a liability and re-measured to fair value until settled. The changes in fair value are recognised as staff expenses. Equity settled remuneration is fair valued at the grant date and amortised to staff expenses over the vesting period, with a corresponding increase in the employee compensation reserve.

Superannuation expense includes expenses relating to defined contribution and defined benefit superannuation plans. Defined contribution expense is recognised in the period the service is provided, whilst the defined benefit expense, which measures current and past service costs is determined by an actuarial calculation.

Occupancy and equipment expenses include depreciation which is calculated using the straight line method over the asset's estimated useful life and operating lease rentals which are recognised on a straight line basis over the lease term.

IT services expenses are recognised as incurred unless they qualify for capitalisation as computer software due to the expenditure generating probable future economic benefits. If capitalised, the computer software is subsequently amortised over its estimated useful life. The Group assesses at each Balance Sheet date useful lives and residual values and whether there is any objective evidence of impairment. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

Other expenses are recognised as the relevant service is rendered. Operating expenses related to provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated.

#### **Critical accounting judgements and estimates**

Actuarial valuations of the Group's defined benefit superannuation plans' obligations are dependent on a series of assumptions set out in Note 10.2 including inflation rates, discount rates and salary growth rates. Changes in these assumptions impact the fair value of the plans' obligations, assets, superannuation expense and actuarial gains and losses recognised in Other Comprehensive Income.

## 2.5 Income tax expense

The income tax expense for the year is determined from the profit before income tax as follows:

	Group <sup>(1)</sup>			Bank	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Profit before income tax</b>	<b>11,763</b>	13,022	13,255	<b>10,407</b>	12,110
Prima facie income tax at 30%	<b>3,529</b>	3,907	3,977	<b>3,122</b>	3,633
<b>Effect of amounts which are non-deductible/(assessable) in calculating taxable income:</b>					
Taxation offsets and other dividend adjustments	-	(7)	(11)	<b>(365)</b>	(612)
Tax losses not previously brought to account	-	-	(56)	-	-
Offshore tax rate differential	<b>(40)</b>	(36)	(46)	<b>(8)</b>	(9)
Offshore banking unit	<b>(32)</b>	(39)	(42)	<b>(32)</b>	(38)
Effect of changes in tax rates	<b>1</b>	15	3	<b>1</b>	15
Income tax (over)/under provided in previous years	<b>(101)</b>	(70)	(70)	<b>(105)</b>	(69)
Non-deductible expense provision <sup>(2)</sup>	-	210	-	-	210
Other	<b>34</b>	(28)	29	<b>11</b>	105
<b>Total income tax expense</b>	<b>3,391</b>	3,952	3,784	<b>2,624</b>	3,235
<b>Effective tax rate (%)</b>	<b>28. 8</b>	30. 3	28. 5	<b>25. 2</b>	26. 7

(1) Information has been restated and presented on a continuing operations basis.

(2) Relates to the AUSTRAC civil penalty, which is non-deductible for tax purposes.

	Group <sup>(1)</sup>			Bank	
<b>Income tax expense attributable to profit from ordinary activities</b>	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Australia</b>					
Current tax expense	<b>3,238</b>	3,916	3,687	<b>2,755</b>	3,312
Deferred tax benefit	<b>(380)</b>	(416)	(292)	<b>(256)</b>	(157)
Total Australia	<b>2,858</b>	3,500	3,395	<b>2,499</b>	3,155
<b>Overseas</b>					
Current tax expense	<b>452</b>	937	359	<b>87</b>	77
Deferred tax expense/(benefit)	<b>81</b>	(485)	30	<b>38</b>	3
Total Overseas	<b>533</b>	452	389	<b>125</b>	80
<b>Income Tax Expense attributable to profit from ordinary activities</b>	<b>3,391</b>	3,952	3,784	<b>2,624</b>	3,235

(1) Information has been restated and presented on a continuing operations basis.

## 2.5 Income tax expense (continued)

	Group			Bank	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Deferred tax asset balances comprise temporary differences attributable to:</b>					
Amounts recognised in the Income Statement and opening retained profits: <sup>(1)</sup>					
Provision for employee benefits	425	452	493	398	391
Provisions for impairment on loans, bills discounted and other receivables	1,345	991	1,032	1,230	913
Other provisions not tax deductible until expense incurred	497	221	201	331	154
Defined benefit superannuation plan	357	339	320	357	339
Unearned income	250	267	228	250	267
Other	312	296	225	308	273
<b>Total amount recognised in the Income Statement and opening retained profits <sup>(1)</sup></b>	<b>3,186</b>	<b>2,566</b>	<b>2,499</b>	<b>2,874</b>	<b>2,337</b>
Amounts recognised directly in Other Comprehensive Income:					
Cash flow hedge reserve	142	114	123	19	11
Other reserves	41	22	12	46	28
<b>Total amount recognised directly in Other Comprehensive Income</b>	<b>183</b>	<b>136</b>	<b>135</b>	<b>65</b>	<b>39</b>
Total deferred tax assets (before set off)	3,369	2,702	2,634	2,939	2,376
Set off to tax	(1,694)	(1,263)	(1,728)	(1,369)	(946)
<b>Net deferred tax assets</b>	<b>1,675</b>	<b>1,439</b>	<b>906</b>	<b>1,570</b>	<b>1,430</b>
<b>Deferred tax liability balances comprise temporary differences attributable to:</b>					
Amounts recognised in the Income Statement and opening retained profits: <sup>(1)</sup>					
Lease financing	162	200	235	91	100
Intangible assets	56	56	64	56	56
Financial instruments	3	30	179	13	10
Insurance	-	-	485	-	-
Investments in associates	148	131	122	-	-
Other	118	83	246	38	39
<b>Total amount recognised in the Income Statement and opening retained profits <sup>(1)</sup></b>	<b>487</b>	<b>500</b>	<b>1,331</b>	<b>198</b>	<b>205</b>
Amounts recognised directly in Other Comprehensive Income:					
Revaluation of properties	82	81	76	84	80
Foreign currency translation reserve	36	18	8	-	-
Cash flow hedge reserve	481	48	70	479	45
Defined benefit superannuation plan	487	498	445	487	498
Investment securities revaluation reserve	121	-	-	121	-
Available-for-sale investments reserve	-	118	130	-	118
<b>Total amount recognised directly in Other Comprehensive Income</b>	<b>1,207</b>	<b>763</b>	<b>729</b>	<b>1,171</b>	<b>741</b>
Total deferred tax liabilities (before set off)	1,694	1,263	2,060	1,369	946
Set off to tax	(1,694)	(1,263)	(1,728)	(1,369)	(946)
<b>Net deferred tax liabilities</b>	<b>-</b>	<b>-</b>	<b>332</b>	<b>-</b>	<b>-</b>

(1) The adoption of AASB 9 and AASB 15 on 1 July 2018 resulted in an increase in the Group's deferred tax asset of \$435 million (Bank: \$353 million) and an increase in the Group's deferred tax liability of \$101 million (Bank: \$27 million) recognised through opening retained profits. As permitted by AASB 9 and AASB 15, comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15, refer to Note 1.1.

## 2.5 Income tax expense (continued)

Deferred tax assets have not been recognised in respect of the following items because it is not considered probable that future taxable profit will be available against which they can be realised:

	Group			Bank	
	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 19	30 Jun 18
	\$M	\$M	\$M	\$M	\$M
<b>Deferred tax assets not taken to account</b>					
Tax losses and other temporary differences on revenue account that:					
Expire under current legislation	-	-	52	-	-
Do not expire under current legislation	-	47	29	-	-
<b>Total</b>	-	47	81	-	-

### Tax Consolidation

The Bank has recognised a tax consolidation contribution to the wholly-owned tax consolidated entity of \$98 million (2018: \$98 million).

The amount receivable by the Bank under the tax funding agreement was \$320 million as at 30 June 2019 (2018: \$283 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

## Accounting policies

Income tax on the profit or loss for the period comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the Balance Sheet method where temporary differences are identified by comparing the carrying amounts of assets and liabilities for financial reporting purposes to their tax bases.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities (i.e. through use or through sale), using tax rates which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available for it to be used against. Deferred tax assets and liabilities are offset where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

The Bank and its wholly owned Australian Subsidiaries elected to be treated as a single entity "the tax consolidated group" under the tax consolidation regime from 1 July 2002. The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations and members.

Any current tax liabilities / assets and deferred tax assets from unused tax losses from subsidiaries in the tax consolidated group are recognised by the Bank legal entity and funded in line with the tax funding arrangement.

The measurement and disclosure of deferred tax assets and liabilities have been performed on a modified stand-alone basis under UIG 1052 'Tax Consolidation Accounting'.

### Critical accounting judgements and estimates

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. For such uncertainties, the Group has estimated the tax provisions based on the expected outcomes.

## 2.6 Earnings per Share

	<b>Group</b> <sup>(3)</sup>		
	<b>30 Jun 19</b>	<b>30 Jun 18</b>	<b>30 Jun 17</b>
<b>Earnings per ordinary share</b> <sup>(1)</sup>	<b>Cents per Share</b>		
Earnings per share from continuing operations: <sup>(2)</sup>			
Basic	<b>473.7</b>	518.8	549.9
Diluted	<b>457.5</b>	503.2	532.9
Earnings per share:			
Basic	<b>485.6</b>	534.3	577.3
Diluted	<b>468.6</b>	517.7	558.8

(1) EPS calculations are based on actual amounts prior to rounding to the nearest million.

(2) The information has been restated and presented on a continuing operations basis.

(3) The difference between earnings per share from continuing operations and earnings per share represents earnings per share from discontinued operations.

	<b>Group</b>		
	<b>30 Jun 19</b>	<b>30 Jun 18</b>	<b>30 Jun 17</b>
<b>Reconciliation of earnings from continuing operations used in calculation of earnings per share</b> <sup>(1)</sup>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Profit after income tax from continuing operations	<b>8,372</b>	9,070	9,471
Less: Other equity instrument dividends	-	-	-
Less: Non-controlling interests	<b>(12)</b>	(13)	(13)
Continuing operations earnings used in calculation of basic earnings per share	<b>8,360</b>	9,057	9,458
Add: Profit impact of assumed conversions of loan capital	<b>323</b>	267	218
Continuing operations earnings used in calculation of fully diluted earnings per share	<b>8,683</b>	9,324	9,676
<b>Reconciliation of earnings used in calculation of earnings per share</b>			
Continuing operations earnings used in calculation of basic earnings per share	<b>8,360</b>	9,057	9,458
Discontinued operations earnings used in calculation of basic earnings per share	<b>211</b>	272	470
Earnings used in calculation of basic earnings per share	<b>8,571</b>	9,329	9,928
Add: Profit impact of assumed conversions of loan capital	<b>323</b>	267	218
Earnings used in calculation of fully diluted earnings per share	<b>8,894</b>	9,596	10,146

(1) Comparative information has been restated to reflect the impact of discontinued operations.

	<b>Number of Shares</b>		
	<b>30 Jun 19</b>	<b>30 Jun 18</b>	<b>30 Jun 17</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<b>1,765</b>	1,746	1,720
Effect of dilutive securities - executive share plans and convertible loan capital instruments	<b>132</b>	106	96
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	<b>1,897</b>	1,852	1,816

## Accounting policies

Basic earnings per share (EPS) amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares on issue during the year, adjusted for any bonus element included in ordinary shares issued and excluding treasury shares held.

Diluted EPS is basic EPS adjusted for the impact of all securities on issue that can convert to CBA ordinary shares and would dilute basic EPS on conversion. It is calculated by dividing net profit attributable to ordinary equity holders of the Bank (after adding back interest on the convertible redeemable loan capital instruments) by the weighted average number of ordinary shares issued during the year (as calculated under basic earnings per share adjusted for the effects of dilutive convertible non-cumulative redeemable loan capital instruments and shares issuable under executive share plans).



## 2.7 Financial reporting by segments

The principal activities of the Group are carried out in the business segments below. These segments are based on the distribution channels through which the customer relationship is being managed.

During the year, the Group announced the sale of its global asset management business, CFSGAM, and Indonesian life insurance operation, PTCL. The Group's business segment performance has been updated and presented on a continuing operations basis to exclude these businesses, which are disclosed as discontinued operations.

During the year, the Group also made a number of structural changes to its operating segments. This includes merging Bankwest with Retail Banking Services, transferring Commonwealth Financial Planning and General Insurance businesses from Wealth Management to Retail Banking Services and migrating Small Business banking customers from Retail Banking Services to Business and Private Banking. In addition, refinements have been made to the allocation of support units and other costs. These changes have not impacted the Group's net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments.

The primary sources of revenue are interest and fee income (Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, New Zealand and International Financial Services (IFS)) and insurance premium and funds management income (Wealth Management, New Zealand and IFS).

Revenues and expenses occurring between segments are subject to transfer pricing arrangements. All intra-group transactions are eliminated on consolidation.

Business segments are managed on the basis of net profit after income tax ("cash basis"). Management uses "cash basis" to assess performance and it provides the basis for the determination of the Bank's dividends. The "cash basis" presents the Group's underlying operating results, excluding a number of items that introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently year on year and do not discriminate between positive and negative adjustments.

### (i) Retail Banking Services

Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all Retail Banking Services' customers. Retail Banking Services also includes the Group's General Insurance business in Australia, which is under strategic review and Commonwealth Financial Planning.

### (ii) Business and Private Banking

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

### (iii) Institutional Banking and Markets

Institutional Banking and Markets services the Group's major corporate, institutional and government clients using a relationship management model based on industry expertise and insights. The client offering includes debt raising, financial and commodities price risk management and transactional banking capabilities. Institutional Banking and Markets has international operations in London, New York, Japan, Singapore, Malta, Hong Kong, New Zealand, Beijing and Shanghai.

### (iv) Wealth Management

Wealth Management includes Platform Administration and Financial Advice. CFSGAM (including operations in Asia and Europe) and CommInsure Life have been presented as discontinued operations.

### (v) New Zealand

New Zealand includes Banking and Funds Management businesses operating in New Zealand (excluding Institutional Banking and Markets). The sale of New Zealand life insurance business, Sovereign, was completed on 2 July 2018.

### (vi) IFS and Corporate Centre

The following parts of the business are included in IFS and Corporate Centre:

- International Financial Services includes the Indonesian retail and business banking operations, and associate investments in China and Vietnam. It does not include the Business and Private Banking, Institutional Banking and Markets and CFSGAM businesses in Asia;
- Indonesian life insurance operation, PTCL, has been presented as a discontinued operation;
- The sale of TymeDigital SA was completed on 1 November 2018. It has been presented as a discontinued operation.
- Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury; and
- Group wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

## 2.7 Financial reporting by segments (continued)

							30 Jun 19
	Retail Banking Services \$M	Business and Private Banking \$M	Institutional Banking and Markets \$M	Wealth Management \$M	New Zealand \$M	IFS and Corporate Centre \$M	Total \$M
Net interest income	9,342	5,123	1,371	-	1,896	388	18,120
Other banking income:							
Commissions	1,383	781	181	-	301	27	2,673
Lending fees	197	391	344	-	60	-	992
Trading and other income	158	278	548	-	81	338	1,403
Total other banking income	1,738	1,450	1,073	-	442	365	5,068
<b>Total banking income</b>	11,080	6,573	2,444	-	2,338	753	23,188
Funds management income	96	-	-	862	130	(16)	1,072
Insurance income	149	-	-	-	-	(2)	147
<b>Total operating income</b>	11,325	6,573	2,444	862	2,468	735	24,407
Investment experience <sup>(1)</sup>	15	-	-	17	-	(28)	4
<b>Total net operating income before impairment and operating expenses</b>	11,340	6,573	2,444	879	2,468	707	24,411
Operating expenses	(4,533)	(2,409)	(1,043)	(645)	(912)	(1,727)	(11,269)
Loan impairment expense	(693)	(362)	(17)	-	(102)	(27)	(1,201)
<b>Net profit before income tax</b>	6,114	3,802	1,384	234	1,454	(1,047)	11,941
Income tax (expense)/benefit	(1,847)	(1,144)	(313)	(74)	(404)	345	(3,437)
Non-controlling interests	-	-	-	-	-	(12)	(12)
<b>Net profit after tax from continuing operations - "cash basis"</b>	4,267	2,658	1,071	160	1,050	(714)	8,492
Net profit after tax from discontinued operations	-	-	-	253	-	(39)	214
<b>Net profit after tax - "cash basis" <sup>(2)</sup></b>	4,267	2,658	1,071	413	1,050	(753)	8,706
(Loss)/gain on disposal and acquisition of entities net of transaction costs	-	-	13	(240)	179	(13)	(61)
Hedging and IFRS volatility	-	-	-	-	(48)	(31)	(79)
Other non-cash items	(1)	-	-	6	-	-	5
<b>Net profit after tax - "statutory basis"</b>	4,266	2,658	1,084	179	1,181	(797)	8,571
<b>Additional information</b>							
Amortisation and depreciation	(201)	(162)	(38)	(20)	(80)	(473)	(974)
<b>Balance Sheet</b>							
Total assets	412,608	174,852	148,197	21,093	94,320	125,432	976,502
Total liabilities	273,603	140,541	150,209	25,297	88,466	228,737	906,853

(1) Investment experience is presented on a pre-tax basis.

(2) This balance excludes non-cash items, including \$79 million unrealised losses relating to hedging and IFRS volatility, \$82 million transaction and separation costs associated with the disposal of CommInsure Life, \$71 million transaction and separation costs associated with the disposal of CFSGAM, \$54 million separation costs for NewCo, \$33 million impairment loss and transaction costs associated with the disposal of Count, \$22 million loss including transaction and separation costs associated with the disposal of TymeDigital SA, partly offset by a \$135 million gain net of transaction and separation costs associated with the disposal of Sovereign and \$66 million net gain on acquisition and disposals of other businesses, and \$1 million expense of Bankwest non-cash items and a \$6 million gain due to treasury shares valuation adjustment.

## 2.7 Financial reporting by segments (continued)

	30 Jun 18 <sup>(1)</sup>						
	Retail Banking Services \$M	Business and Private Banking \$M	Institutional Banking and Markets \$M	Wealth Management \$M	New Zealand \$M	IFS and Corporate Centre \$M	Total \$M
Net interest income	9,645	5,115	1,434	-	1,760	388	18,342
Other banking income:							
Commissions	1,393	820	201	-	285	12	2,711
Lending fees	268	355	434	-	55	(3)	1,109
Trading and other income	166	250	602	-	75	302	1,395
Total other banking income	1,827	1,425	1,237	-	415	311	5,215
<b>Total banking income</b>	<b>11,472</b>	<b>6,540</b>	<b>2,671</b>	<b>-</b>	<b>2,175</b>	<b>699</b>	<b>23,557</b>
Funds management income	169	-	-	841	112	(3)	1,119
Insurance income	242	-	-	-	-	(4)	238
<b>Total operating income</b>	<b>11,883</b>	<b>6,540</b>	<b>2,671</b>	<b>841</b>	<b>2,287</b>	<b>692</b>	<b>24,914</b>
Investment experience <sup>(2)</sup>	8	-	-	10	-	(10)	8
<b>Total net operating income before impairment and operating expenses</b>	<b>11,891</b>	<b>6,540</b>	<b>2,671</b>	<b>851</b>	<b>2,287</b>	<b>682</b>	<b>24,922</b>
Operating expenses	(4,349)	(2,230)	(1,067)	(490)	(860)	(1,999)	(10,995)
Loan impairment expense	(652)	(247)	(80)	-	(74)	(26)	(1,079)
<b>Net profit before income tax</b>	<b>6,890</b>	<b>4,063</b>	<b>1,524</b>	<b>361</b>	<b>1,353</b>	<b>(1,343)</b>	<b>12,848</b>
Income tax (expense)/benefit	(2,067)	(1,218)	(354)	(106)	(378)	203	(3,920)
Non-controlling interests	-	-	-	-	-	(13)	(13)
<b>Net profit after tax from continuing operations - "cash basis"</b>	<b>4,823</b>	<b>2,845</b>	<b>1,170</b>	<b>255</b>	<b>975</b>	<b>(1,153)</b>	<b>8,915</b>
Net profit after tax from discontinued operations	-	-	-	452	96	(51)	497
<b>Net profit after tax - "cash basis" <sup>(3)</sup></b>	<b>4,823</b>	<b>2,845</b>	<b>1,170</b>	<b>707</b>	<b>1,071</b>	<b>(1,204)</b>	<b>9,412</b>
(Loss)/gain on disposal and acquisition of entities net of transaction costs	58	-	-	(139)	(18)	(84)	(183)
Hedging and IFRS volatility	-	-	-	-	87	14	101
Other non-cash items	(3)	-	-	2	-	-	(1)
<b>Net profit after tax - "statutory basis"</b>	<b>4,878</b>	<b>2,845</b>	<b>1,170</b>	<b>570</b>	<b>1,140</b>	<b>(1,274)</b>	<b>9,329</b>
<b>Additional information</b>							
Amortisation and depreciation	(169)	(165)	(45)	(18)	(77)	(457)	(931)
<b>Balance Sheet</b>							
Total assets	397,986	174,635	162,125	19,459	90,022	130,938	975,165
Total liabilities	268,400	136,603	153,644	24,455	82,976	241,227	907,305

(1) Comparative information has been restated to conform to presentation in the current year and to reflect a number of structural changes to operating segments.

(2) Investment experience is presented on a pre-tax basis.

(3) This balance excludes non-cash items, including \$101 million unrealised gains relating to hedging and IFRS volatility, \$118 million transaction and separation costs associated with the disposal of CommInsure Life, \$91 million impairment due to the reclassification of TymeDigital SA as discontinued operation, \$21 million demerger costs for NewCo, \$18 million transaction and separation costs associated with the disposal of Sovereign, partly offset by \$58 million gain recognised on acquisition of AHL and \$7 million net gain on acquisition and disposals of other businesses; and \$3 million expense of Bankwest non-cash items and a \$2 million gain due to treasury shares valuation adjustment.

## 2.7 Financial reporting by segments (continued)

	Group <sup>(1)</sup>					
	30 Jun 19		30 Jun 18		30 Jun 17	
Financial performance and position	\$M	%	\$M	%	\$M	%
<b>Income</b>						
Australia	20,994	86.3	21,837	86.9	21,321	87.1
New Zealand	2,444	10.0	2,297	9.1	2,231	9.1
Other locations <sup>(2)</sup>	899	3.7	996	4.0	931	3.8
<b>Total Income</b>	<b>24,337</b>	<b>100.0</b>	<b>25,130</b>	<b>100.0</b>	<b>24,483</b>	<b>100.0</b>
<b>Non-Current Assets</b>						
Australia	12,453	93.2	13,473	93.3	15,301	91.8
New Zealand	635	4.8	581	4.0	1,045	6.2
Other locations <sup>(2)</sup>	261	2.0	387	2.7	329	2.0
<b>Total non-current assets <sup>(3)</sup></b>	<b>13,349</b>	<b>100.0</b>	<b>14,441</b>	<b>100.0</b>	<b>16,675</b>	<b>100.0</b>

(1) Information has been restated and presented on a continuing operations basis. For details on the Group's discontinued operations refer to Note 11.3.

(2) Other locations include: United Kingdom, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China and Vietnam. Comparative periods also includes South Africa.

(3) Non-current assets include Property, plant and equipment, Investments in associates and joint ventures, and Intangibles.

The geographical segment represents the location in which the transaction was recognised.

## Accounting policies

Operating segments are reported based on the Group's organisational and management structures. Senior management review the Group's internal reporting based around these segments, in order to assess performance and allocate resources.

All transactions between segments are conducted on an arm's length basis, with inter-segment revenue and costs being eliminated in "Other".

## 3. Our lending activities

### Overview

Lending is the Group's primary business activity, generating most of its net interest income and lending fees. The Group satisfies customers' needs for borrowed funds by providing a broad range of lending products in Australia, New Zealand and other jurisdictions. As a result of its lending activities the Group assumes credit risk arising from the potential that borrowers will fail to meet their obligations in accordance with agreed lending terms.

This section provides details of the Group's lending portfolio by type of product and geographical regions, analysis of the credit quality of the Group's lending portfolio and the related impairment provisions.

### 3.1 Loans, bills discounted and other receivables

		Group		Bank	
	Note	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Australia					
Overdrafts		26,297	25,217	26,297	25,217
Home loans <sup>(1) (2)</sup>		467,361	451,367	459,690	444,186
Credit card outstandings		11,271	11,877	11,271	11,877
Lease financing		4,410	4,318	3,532	3,268
Bills discounted <sup>(3)</sup>		1,955	4,280	1,955	4,280
Term loans and other lending		141,695	147,028	141,679	147,009
Total Australia		652,989	644,087	644,424	635,837
Overseas					
Overdrafts		1,842	1,657	306	281
Home loans <sup>(1)</sup>		55,581	50,298	341	397
Credit card outstandings		1,069	993	-	-
Lease financing		8	25	1	4
Term loans and other lending		49,492	50,969	20,662	24,348
Total overseas		107,992	103,942	21,310	25,030
Gross loans, bills discounted and other receivables		760,981	748,029	665,734	660,867
Less					
Provisions for Loan Impairment: <sup>(4)</sup>	3.2				
Collective provision		(3,820)	(2,735)	(3,455)	(2,482)
Individually assessed provisions		(895)	(870)	(801)	(779)
Unearned income:					
Term loans		(739)	(692)	(730)	(692)
Lease financing		(386)	(367)	(272)	(264)
		(5,840)	(4,664)	(5,258)	(4,217)
Net loans, bills discounted and other receivables		755,141	743,365	660,476	656,650

(1) Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further detail on these residential mortgages is disclosed in Note 4.4.

(2) These balances are presented gross of mortgage offset balances as required under accounting standards.

(3) On adoption of AASB 9 on 1 July 2018, bills discounted were reclassified from the trading category under AASB 139 to the amortised cost category under AASB 9 as the bills no longer meet the definition of a trading asset and they are held under the business model to collect. The reclassification did not have an impact on the Group's retained profits. As permitted by AASB 9, comparative information has not been restated.

(4) The adoption of AASB 9 impairment requirements on 1 July 2018 resulted in \$968 million increase in the Group's collective provisions on loans, bills discounted and other receivables (Bank: \$895 million) and \$87 million increase in collective provisions for off-balance sheet instruments (Bank: \$84 million). As permitted by AASB 9, comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1.

### 3.1 Loans, bills discounted and other receivables (continued)

Based on behavioural terms and current market conditions, the amounts expected to be recovered within 12 months of the Balance Sheet date are \$185,208 million (2018: \$175,826 million) for the Group, and \$167,316 million (2018: \$159,688 million) for the Bank.

#### Finance lease receivables

The Group and the Bank provide finance leases to a broad range of clients to support financing needs in acquiring transportation assets such as trains, aircraft, ships and major production and manufacturing equipment.

Finance lease receivables are included within Loans, bills discounted and other receivables to customers.

	30 Jun 19			Group 30 Jun 18		
	Gross Investment in Finance Lease Receivable \$M	Unearned Income \$M	Present Value of Minimum Lease Payment Receivable \$M	Gross Investment in Finance Lease Receivable \$M	Unearned Income \$M	Present Value of Minimum Lease Payment Receivable \$M
Not later than one year	1,586	(167)	1,419	1,706	(162)	1,544
One year to five years	2,656	(207)	2,449	2,455	(190)	2,265
Over five years	176	(12)	164	182	(15)	167
	4,418	(386)	4,032	4,343	(367)	3,976

	30 Jun 19			Bank 30 Jun 18		
	Gross Investment in Finance Lease Receivable \$M	Unearned Income \$M	Present Value of Minimum Lease Payment Receivable \$M	Gross Investment in Finance Lease Receivable \$M	Unearned Income \$M	Present Value of Minimum Lease Payment Receivable \$M
Not later than one year	1,284	(118)	1,166	1,248	(116)	1,132
One year to five years	2,084	(143)	1,941	1,864	(135)	1,729
Over five years	165	(11)	154	160	(13)	147
	3,533	(272)	3,261	3,272	(264)	3,008

### Accounting policies

Loans, bills discounted and other receivables include overdrafts, home loans, credit card and other personal lending, term loans, and discounted bills. These financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The contractual cash flows on these financial assets comprise the payment of principal and interest only. These instruments are accordingly measured at amortised cost.

Loans, bills discounted and other receivables are recognised on settlement date, when funding is advanced to the borrowers. They are initially recognised at their fair value plus directly attributable transaction costs such as broker fees. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method and are presented net of provisions for impairment. For the accounting policy for provisions for impairment, refer to Note 3.2. For information on the Group's management of credit risk, refer to Note 9.2.

Finance leases, where the Group acts as lessor, are also included in Loans, bills discounted and other receivables. Finance leases are those where substantially all the risks and rewards of the lease asset have been transferred to the lessee. Lease receivables are recognised at an amount equal to the net investment in the lease. Finance lease income reflects a constant periodic return on this net investment and is recognised within interest income in the Income Statement.

#### Critical accounting judgements and estimates

When applying this effective interest method the Group has estimated the behavioural term of each loan portfolio by reference to historical prepayment rates and the contractual maturity.



### 3.1 Loans, bills discounted and other receivables (continued)

#### Contractual maturity tables

Industry <sup>(1)</sup>	Group Maturity Period at 30 June 2019			Total \$M
	Maturing 1 Year or Less \$M	Maturing Between 1 and 5 Years \$M	Maturing After 5 Years \$M	
<b>Australia</b>				
Sovereign	14,139	2,117	506	16,762
Agriculture	3,647	5,273	371	9,291
Bank and other financial	5,470	3,046	159	8,675
Home loans	11,859	51,092	404,410	467,361
Construction	1,381	1,494	363	3,238
Other personal	6,848	12,978	1,682	21,508
Asset financing	3,065	4,757	125	7,947
Other commercial and industrial	41,763	66,223	10,221	118,207
<b>Total Australia</b>	<b>88,172</b>	<b>146,980</b>	<b>417,837</b>	<b>652,989</b>
<b>Overseas</b>				
Sovereign	446	982	8	1,436
Agriculture	3,201	5,874	1,392	10,467
Bank and other financial	2,253	4,295	89	6,637
Home loans	3,155	709	51,717	55,581
Construction	295	164	242	701
Other personal	1,264	378	282	1,924
Asset financing	22	191	203	416
Other commercial and industrial	9,119	14,780	6,931	30,830
<b>Total overseas</b>	<b>19,755</b>	<b>27,373</b>	<b>60,864</b>	<b>107,992</b>
<b>Gross loans, bills discounted and other receivables</b>	<b>107,927</b>	<b>174,353</b>	<b>478,701</b>	<b>760,981</b>

(1) The industry split has been prepared in line with industry exposures in Note 9.2.

Interest rate	Maturing 1 Year or Less \$M	Maturing Between 1 and 5 Years \$M	Maturing After 5 Years \$M	Total \$M
Australia	74,978	128,798	332,678	536,454
Overseas	18,408	21,952	11,767	52,127
<b>Total variable interest rates</b>	<b>93,386</b>	<b>150,750</b>	<b>344,445</b>	<b>588,581</b>
Australia	13,194	18,182	85,159	116,535
Overseas	1,347	5,421	49,097	55,865
<b>Total fixed interest rates</b>	<b>14,541</b>	<b>23,603</b>	<b>134,256</b>	<b>172,400</b>
<b>Gross loans, bills discounted and other receivables</b>	<b>107,927</b>	<b>174,353</b>	<b>478,701</b>	<b>760,981</b>

### 3.1 Loans, bills discounted and other receivables (continued)

Industry <sup>(1)</sup>	Group Maturity Period at 30 June 2018			
	Maturing 1 Year or Less \$M	Maturing Between 1 and 5 Years \$M	Maturing After 5 Years \$M	Total \$M
<b>Australia</b>				
Sovereign	13,745	2,490	588	16,823
Agriculture	3,589	5,078	331	8,998
Bank and other financial	6,805	5,818	328	12,951
Home loans	9,861	41,930	399,576	451,367
Construction	1,223	1,465	340	3,028
Other personal	7,663	13,976	2,019	23,658
Asset financing	3,188	5,263	130	8,581
Other commercial and industrial	42,482	65,382	10,817	118,681
<b>Total Australia</b>	<b>88,556</b>	<b>141,402</b>	<b>414,129</b>	<b>644,087</b>
<b>Overseas</b>				
Sovereign	1,023	466	82	1,571
Agriculture	2,533	5,371	2,026	9,930
Bank and other financial	3,684	3,206	185	7,075
Home loans	3,202	657	46,439	50,298
Construction	273	148	217	638
Other personal	1,190	333	321	1,844
Asset financing	23	173	261	457
Other commercial and industrial	7,954	17,153	7,022	32,129
<b>Total overseas</b>	<b>19,882</b>	<b>27,507</b>	<b>56,553</b>	<b>103,942</b>
<b>Gross loans, bills discounted and other receivables</b>	<b>108,438</b>	<b>168,909</b>	<b>470,682</b>	<b>748,029</b>

(1) The industry split has been prepared in line with industry exposures in Note 9.2.

	Maturing 1 Year or Less \$M	Maturing Between 1 and 5 Years \$M	Maturing After 5 Years \$M	Total \$M
<b>Interest rate</b>				
Australia	73,612	122,146	328,864	524,622
Overseas	18,035	22,730	13,235	54,000
<b>Total variable interest rates</b>	<b>91,647</b>	<b>144,876</b>	<b>342,099</b>	<b>578,622</b>
Australia	14,944	19,256	85,265	119,465
Overseas	1,847	4,777	43,318	49,942
<b>Total fixed interest rates</b>	<b>16,791</b>	<b>24,033</b>	<b>128,583</b>	<b>169,407</b>
<b>Gross loans, bills discounted and other receivables</b>	<b>108,438</b>	<b>168,909</b>	<b>470,682</b>	<b>748,029</b>

## 3.2 Provisions for impairment

	Group			Bank	
	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 19	30 Jun 18
	\$M	\$M	\$M	\$M	\$M
<b>Provisions for impairment losses</b>					
<b>Collective provision</b>					
Opening balance	2,763	2,747	2,818	2,510	2,482
Change on adoption of AASB 9 <sup>(1)</sup>	1,055	-	-	979	-
Net collective provision funding	724	716	617	629	646
Impairment losses written off	(901)	(871)	(894)	(818)	(789)
Impairment losses recovered	206	201	210	191	182
Other	57	(30)	(4)	46	(11)
<b>Closing balance</b>	<b>3,904</b>	<b>2,763</b>	<b>2,747</b>	<b>3,537</b>	<b>2,510</b>
<b>Individually assessed provisions</b>					
Opening balance	870	980	944	779	897
Net new and increased individual provisioning	619	625	670	556	559
Write-back of provisions no longer required	(142)	(262)	(192)	(127)	(242)
Discount unwind to interest income	(23)	(25)	(31)	(23)	(25)
Impairment losses written off	(500)	(548)	(454)	(446)	(473)
Other	71	100	43	62	63
<b>Closing balance</b>	<b>895</b>	<b>870</b>	<b>980</b>	<b>801</b>	<b>779</b>
<b>Total provisions for impairment losses</b>	<b>4,799</b>	<b>3,633</b>	<b>3,727</b>	<b>4,338</b>	<b>3,289</b>
Less: Off Balance Sheet provisions	(84)	(28)	(34)	(82)	(28)
<b>Total provisions for loan impairment</b>	<b>4,715</b>	<b>3,605</b>	<b>3,693</b>	<b>4,256</b>	<b>3,261</b>

(1) The adoption of AASB 9 impairment requirements on 1 July 2018 resulted in \$968 million increase in the Group's collective provisions on loans, bills discounted and other receivables (Bank: \$895 million) and \$87 million increase in collective provisions for off-balance sheet instruments (Bank: \$84 million). As permitted by AASB 9, comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1.

Of the total \$1,401 million loans written-off by the Group during the year ended 30 June 2019, \$424 million remain subject to enforcement activity. Of the total \$1,264 million loans written-off by the Bank during the year ended 30 June 2019, \$394 million remain subject to enforcement activity.

	Group			Bank	
	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 19	30 Jun 18
	%	%	%	%	%
<b>Provision ratios</b>					
Total provisions for impaired assets as a % of gross impaired assets <sup>(1)</sup>	32.77	33.60	36.05	35.36	37.18
Total provisions for impairment losses as a % of gross loans and acceptances	0.63	0.49	0.51	0.65	0.50

(1) Gross impaired assets include non-performing facilities, restructured facilities and unsecured retail managed facilities 90 days or more past due. For impaired assets classification refer to Note 9.2.

	Group			Bank	
	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 19	30 Jun 18
	\$M	\$M	\$M	\$M	\$M
<b>Loan impairment expense</b>					
Net collective provision funding	724	716	617	629	646
Net new and increased individual provisioning	619	625	670	556	559
Write-back of individually assessed provisions	(142)	(262)	(192)	(127)	(242)
<b>Total loan impairment expense</b>	<b>1,201</b>	<b>1,079</b>	<b>1,095</b>	<b>1,058</b>	<b>963</b>

## 3.2 Provisions for impairment (continued)

### Movement in provisions for impairment and credit exposures by ECL stage

The tables below provide movements in the Group's and the Bank's impairment provisions and credit exposures by ECL stage for the year ended 30 June 2019.

Movements in provisions for impairment in the tables below are attributable to the following items:

- *Net transfers between stages*: net movements in provisions for impairment due to transfers of credit exposures between Stage 1, Stage 2 and Stage 3 prior to re-measurement between 12-month and lifetime ECL.
- *Net re-measurement on transfers between stages*: net movements in provisions for impairment due to re-measurement between 12 month ECL and lifetime ECL as a result of transfers between stages.
- *Impact of transfers between 12 months and lifetime ECL*: a total of net transfers between stages and net re-measurement on transfers between stages.
- *Net financial assets originated*: net movements in provisions for impairment due to financial assets originated as well as exposure changes for existing credit exposures due to maturities, repayments or credit limit changes as well as changes in foreign exchange rates.
- *Movements in existing IAP including write-backs*: net movements in existing Individually Assessed Provisions (IAP) excluding movements to or from collective provisions and write-offs.
- *Write-offs*: decreases in the provisions for impairment due to the de-recognition of loans when there is no reasonable expectation of recovery.
- *Movement due to risk parameter and other changes*: movements in provisions for impairment due to changes in credit risk parameters, forward looking economic scenarios or other assumptions as well as other changes in underlying credit quality that do not lead to transfers between Stage 1, Stage 2 and Stage 3.

Movements in credit exposures in the tables below are attributable to the following items:

- *Net transfers between stages and financial assets originated*: net movements in credit exposures due to transfers between Stage 1, Stage 2 and Stage 3 and due to financial assets originated as well as changes in existing credit exposures due to maturities, repayments or credit limit changes as well as changes in foreign exchange rates.
- *Write-offs*: the de-recognition of credit exposures when there is no reasonable expectation of recovery.

	Group <sup>(1)</sup> 30 Jun 19				
	Stage 1 Collectively Assessed \$M	Stage 2 Collectively Assessed \$M	Stage 3 Collectively Assessed \$M	Stage 3 Individually Assessed \$M	Total \$M
<b>Provisions for impairment losses <sup>(2)</sup></b>					
Opening balance	873	2,525	420	870	<b>4,688</b>
Net transfers between stages	700	(833)	14	119	-
Net re-measurement on transfers between stages	(1,072)	1,596	568	-	<b>1,092</b>
Impact of transfers between 12 months and lifetime ECL	(372)	763	582	119	<b>1,092</b>
Net financial assets originated	341	(999)	(77)	-	<b>(735)</b>
Movements in existing IAP including write-backs	-	-	-	406	<b>406</b>
Write-offs	-	-	(901)	(500)	<b>(1,401)</b>
Movements due to risk parameter and other changes	63	230	456	-	<b>749</b>
<b>Closing balance</b>	<b>905</b>	<b>2,519</b>	<b>480</b>	<b>895</b>	<b>4,799</b>
<b>Credit exposures <sup>(2) (3)</sup></b>					
Opening balance	709,231	190,688	4,017	2,020	<b>905,956</b>
Net transfers between stages and financial assets originated	38,727	(26,418)	1,490	698	<b>14,497</b>
Write-offs	-	-	(901)	(500)	<b>(1,401)</b>
<b>Closing balance</b>	<b>747,958</b>	<b>164,270</b>	<b>4,606</b>	<b>2,218</b>	<b>919,052</b>

(1) Refer to Note 9.2 for further analysis of provisions for impairment and credit exposures.

(2) Movements in credit exposures exclude Cash and liquid assets and Receivables from other financial institutions. Movements in provisions for impairment losses include provisions in relation to these financial assets. As at 30 June 2019, collective provisions in Stage 1 include \$9 million in relation to these financial assets.

(3) The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risk at an industry, geographical location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 credit exposures for the Group as at 30 June 2019.

## 3.2 Provisions for impairment (continued)

### Movement in provisions for impairment and credit exposures by ECL stage (continued)

	Bank <sup>(1)</sup> 30 Jun 19				
	Stage 1 Collectively Assessed \$M	Stage 2 Collectively Assessed \$M	Stage 3 Collectively Assessed \$M	Stage 3 Individually Assessed \$M	Total \$M
<b>Provisions for impairment losses <sup>(2)</sup></b>					
Opening balance	783	2,313	393	779	4,268
Net transfers between stages	692	(832)	23	117	-
Net re-measurement on transfers between stages	(1,037)	1,562	528	-	1,053
Impact of transfers between 12 months and lifetime ECL	(345)	730	551	117	1,053
Net financial assets originated	323	(981)	(40)	-	(698)
Movements in existing IAP including write-backs	-	-	-	351	351
Write-offs	-	-	(818)	(446)	(1,264)
Movements due to risk parameter and other changes	40	231	357	-	628
<b>Closing balance</b>	<b>801</b>	<b>2,293</b>	<b>443</b>	<b>801</b>	<b>4,338</b>
<b>Credit exposures <sup>(2) (3)</sup></b>					
Opening balance	631,044	170,870	3,746	1,578	807,238
Net transfers between stages and financial assets originated	30,762	(26,871)	1,241	681	5,813
Write-offs	-	-	(818)	(446)	(1,264)
<b>Closing balance</b>	<b>661,806</b>	<b>143,999</b>	<b>4,169</b>	<b>1,813</b>	<b>811,787</b>

(1) Refer to Note 9.2 for further analysis of provisions for impairment and credit exposures.

(2) Movements in credit exposures exclude cash and liquid assets and receivables from other financial institutions. Movements in provisions for impairment losses include provisions in relation to these financial assets. As at 30 June 2019, collective provisions in Stage 1 include \$9 million in relation to these financial assets.

(3) The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risk at an industry, geographical location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 credit exposures for the Bank as at 30 June 2019.

Movements in provisions for impairment during the year were due to the following:

- A net increase in the Group's Stage 1 credit exposures of \$38,727 million (Bank: \$30,762 million) driven by home loans portfolio growth, partly offset by net transfers from Stage 1 to Stage 2 and Stage 3 reflecting increases in corporate troublesome assets, heightened consumer finance arrears and forward looking adjustments.
- A net reduction in the Group's Stage 2 credit exposures of \$26,418 million (Bank: \$26,871 million) mainly driven by corporate portfolio optimisation, partly offset by net transfers to Stage 2, mainly from Stage 1 reflecting increases in corporate troublesome assets, heightened consumer finance arrears and forward looking adjustments. The impact of forward looking adjustments accounts for approximately 65% of the Group's and the Bank's Stage 2 credit exposures.
- A net increase in the Group's Stage 3 credit exposures of \$787 million (Bank: \$658 million) driven by net transfers to Stage 3 from Stage 1 and Stage 2 reflecting increases in corporate troublesome assets and impaired home loans, partly offset by write-offs.

## 3.2 Provisions for impairment (continued)

### Sensitivity of provisions for impairment to changes in forward looking assumptions

As described in Note 1.1, the Group applies four alternative macro-economic scenarios (Central, Upside, Downside and Severe Downside scenarios) to reflect unbiased probability-weighted range of possible future outcomes in estimating ECL.

Assuming 100% weighting on the Central scenario and holding all other assumptions (including forward looking adjustments) constant the Group's provisions for impairment would be approximately \$3,639 million (Bank: \$3,290 million) compared to \$4,799 million (Bank: \$4,338 million) provisions for impairment recognised as at 30 June 2019.

Assuming 100% weighting on the Downside Scenario and holding all other assumptions (including forward looking adjustments) constant the Group's total provisions for impairment would be approximately \$4,802 million (Bank: \$4,338 million).

## Accounting policies

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By providing loans to customers, the Group bears the risk that the future circumstances of customers might change, including their ability to repay their loans in part or in full. While the Group's credit and responsible lending policies aim to minimise this risk, there will always be instances where the Group will not receive the full amount owed and hence a provision for impaired loans will be necessary.

On 1 July 2018, the Group adopted the AASB 9 impairment requirements, which resulted in the implementation of an expected credit loss impairment model. As a result, from 1 July 2018 provisions are recognised in accordance with the AASB 9 expected credit loss approach. The details of the Group's accounting policies and critical accounting judgements and estimates involved in calculating AASB 9 impairment provisions for the year ended 30 June 2019 are provided in Note 1.1.



## 3.2 Provisions for impairment (continued)

	Group				
Individually assessed provisions by industry classification	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M	30 Jun 16 \$M	30 Jun 15 \$M
<b>Australia</b>					
Sovereign	-	-	-	-	-
Agriculture	51	56	47	42	133
Bank and other financial	14	16	27	29	36
Home loans	246	236	249	193	148
Construction	76	21	25	25	20
Other personal	3	6	9	7	10
Asset financing	10	16	18	28	28
Other commercial and industrial	369	343	442	483	400
<b>Total Australia</b>	<b>769</b>	<b>694</b>	<b>817</b>	<b>807</b>	<b>775</b>
<b>Overseas</b>					
Sovereign	-	-	-	-	-
Agriculture	46	25	25	23	14
Bank and other financial	-	-	-	4	-
Home loans	4	5	4	6	10
Construction	-	1	1	8	1
Other personal	3	-	-	1	-
Asset financing	-	-	10	10	10
Other commercial and industrial	73	145	123	85	77
<b>Total overseas</b>	<b>126</b>	<b>176</b>	<b>163</b>	<b>137</b>	<b>112</b>
<b>Total individually assessed provisions</b>	<b>895</b>	<b>870</b>	<b>980</b>	<b>944</b>	<b>887</b>

## 3.2 Provisions for impairment (continued)

	<b>Group</b>				
	<b>30 Jun 19</b>	<b>30 Jun 18</b>	<b>30 Jun 17</b>	<b>30 Jun 16</b>	<b>30 Jun 15</b>
<b>Loans written off by industry classification</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>Australia</b>					
Sovereign	-	-	-	-	-
Agriculture	59	28	17	84	65
Bank and other financial	1	3	1	10	36
Home loans	134	126	115	82	72
Construction	44	13	16	11	14
Other personal	787	764	792	747	686
Asset financing	17	23	41	54	45
Other commercial and industrial	126	179	210	249	404
<b>Total Australia</b>	<b>1,168</b>	<b>1,136</b>	<b>1,192</b>	<b>1,237</b>	<b>1,322</b>
<b>Overseas</b>					
Sovereign	-	-	-	-	-
Agriculture	2	3	15	7	3
Bank and other financial	5	5	5	-	69
Home loans	2	2	4	7	8
Construction	2	1	8	-	-
Other personal	70	65	60	54	42
Asset financing	-	-	-	-	-
Other commercial and industrial	152	207	64	112	35
<b>Total overseas</b>	<b>233</b>	<b>283</b>	<b>156</b>	<b>180</b>	<b>157</b>
<b>Gross loans written off</b>	<b>1,401</b>	<b>1,419</b>	<b>1,348</b>	<b>1,417</b>	<b>1,479</b>
<b>Less recovery of amounts previously written off:</b>					
Australia	190	187	194	211	165
Overseas	16	14	16	14	11
<b>Total amounts recovered</b>	<b>206</b>	<b>201</b>	<b>210</b>	<b>225</b>	<b>176</b>
<b>Net loans written off</b>	<b>1,195</b>	<b>1,218</b>	<b>1,138</b>	<b>1,192</b>	<b>1,303</b>

## 3.2 Provisions for impairment (continued)

	<b>Group</b>				
<b>Loans recovered by industry classification</b>	<b>30 Jun 19</b>	<b>30 Jun 18</b>	<b>30 Jun 17</b>	<b>30 Jun 16</b>	<b>30 Jun 15</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>Australia</b>					
Sovereign	-	-	-	-	-
Agriculture	-	-	-	1	-
Bank and other financial	-	1	1	27	9
Home loans	4	2	3	3	3
Construction	1	-	1	1	-
Other personal	169	165	170	154	125
Asset financing	2	5	7	4	4
Other commercial and industrial	14	14	12	21	24
<b>Total Australia</b>	<b>190</b>	<b>187</b>	<b>194</b>	<b>211</b>	<b>165</b>
<b>Overseas</b>					
Sovereign	-	-	-	-	-
Agriculture	-	-	-	-	-
Bank and other financial	-	-	-	1	-
Home loans	1	1	1	1	1
Construction	-	1	1	-	-
Other personal	11	10	11	10	10
Asset financing	-	-	-	-	-
Other commercial and industrial	4	2	3	2	-
<b>Total overseas</b>	<b>16</b>	<b>14</b>	<b>16</b>	<b>14</b>	<b>11</b>
<b>Total loans recovered</b>	<b>206</b>	<b>201</b>	<b>210</b>	<b>225</b>	<b>176</b>

## 4. Our deposits and funding activities

### Overview

Stable and well diversified funding sources are critical to the Group's ability to fund its lending and investing activities and support growing its business.

Our main sources of funding include customer deposits and term funds raised in domestic and offshore wholesale markets via issuing debt securities and loan capital. The Group also relies on repurchase agreements as a source of short-term wholesale funding. Refer to Note 9.4 for the Group's management of liquidity and funding risk.

### 4.1 Deposits and other public borrowings

	Group <sup>(1)</sup>			Bank
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Australia</b>				
Certificates of deposit	30,924	31,405	33,331	33,496
Term deposits	148,313	149,924	148,491	150,086
On-demand and short-term deposits	308,299	300,607	308,338	300,768
Deposits not bearing interest	49,274	46,082	49,245	46,058
Securities sold under agreements to repurchase	19,099	14,696	19,215	14,806
<b>Total Australia</b>	<b>555,909</b>	<b>542,714</b>	<b>558,620</b>	<b>545,214</b>
<b>Overseas</b>				
Certificates of deposit	12,144	8,509	8,818	6,069
Term deposits	39,147	43,896	5,869	13,707
On-demand and short-term deposits	23,491	22,640	481	1,154
Deposits not bearing interest	5,349	4,475	63	56
<b>Total overseas</b>	<b>80,131</b>	<b>79,520</b>	<b>15,231</b>	<b>20,986</b>
<b>Total external deposits and other public borrowings</b>	<b>636,040</b>	<b>622,234</b>	<b>573,851</b>	<b>566,200</b>

(1) Current year balances reflect the adoption of AASB 9 'Financial Instruments' on 1 July 2018. As permitted by AASB 9, comparative information has not been restated. For details on adoption of AASB 9, refer to Note 1.1.

The majority of the amounts are due to be settled within 12 months of the Balance Sheet date.

The contractual maturity profile of Certificates of deposit and Term deposits are shown in the table below:

	Group At 30 June 2019				Total \$M
	Maturing Three Months or Less \$M	Maturing Between Three and Six Months \$M	Maturing Between Six and Twelve Months \$M	Maturing after Twelve Months \$M	
<b>Australia</b>					
Certificates of deposit <sup>(1)</sup>	14,674	13,182	1,232	1,836	30,924
Term deposits	92,825	39,389	13,835	2,264	148,313
<b>Total Australia</b>	<b>107,499</b>	<b>52,571</b>	<b>15,067</b>	<b>4,100</b>	<b>179,237</b>
<b>Overseas</b>					
Certificates of deposit <sup>(1)</sup>	5,938	3,156	3,005	45	12,144
Term deposits	17,820	13,129	6,127	2,071	39,147
<b>Total overseas</b>	<b>23,758</b>	<b>16,285</b>	<b>9,132</b>	<b>2,116</b>	<b>51,291</b>
<b>Total certificates of deposits and term deposits</b>	<b>131,257</b>	<b>68,856</b>	<b>24,199</b>	<b>6,216</b>	<b>230,528</b>

(1) All certificates of deposit issued by the Group are for amounts greater than \$100,000.

## 4.1 Deposits and other public borrowings (continued)

Group  
At 30 June 2018

	Maturing Three Months or Less \$M	Maturing Between Three and Six Months \$M	Maturing Between Six and Twelve Months \$M	Maturing after Twelve Months \$M	Total \$M
<b>Australia</b>					
Certificates of deposit <sup>(1)</sup>	15,321	9,286	2,351	4,447	31,405
Term deposits	83,431	25,576	32,222	8,695	149,924
<b>Total Australia</b>	<b>98,752</b>	<b>34,862</b>	<b>34,573</b>	<b>13,142</b>	<b>181,329</b>
<b>Overseas</b>					
Certificates of deposit <sup>(1)</sup>	3,425	2,441	2,601	42	8,509
Term deposits	22,758	10,033	7,901	3,204	43,896
<b>Total overseas</b>	<b>26,183</b>	<b>12,474</b>	<b>10,502</b>	<b>3,246</b>	<b>52,405</b>
<b>Total certificates of deposits and term deposits</b>	<b>124,935</b>	<b>47,336</b>	<b>45,075</b>	<b>16,388</b>	<b>233,734</b>

(1) All certificates of deposit issued by the Group are for amounts greater than \$100,000.

## Accounting policies

Deposits from customers include certificates of deposit, term deposits, savings deposits, other demand deposits and debentures. Deposits are initially recognised at their fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost. Interest incurred is recognised within Net Interest Income using the effective interest method.

Securities sold under repurchase agreements are retained in the Financial Statements where substantially all the risks and rewards of ownership remain with the Group. A liability for the agreed repurchase amount is recognised within deposits and other public borrowings.

## 4.2 Liabilities at fair value through income statement

	Group		Bank	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Deposits and other borrowings <sup>(1)</sup>	6,217	8,124	6,217	7,118
Debt instruments	714	399	155	264
Trading liabilities	1,589	1,724	1,589	1,724
<b>Total liabilities at fair value through Income Statement</b>	<b>8,520</b>	<b>10,247</b>	<b>7,961</b>	<b>9,106</b>

(1) Current period balances reflect the adoption of AASB 9 'Financial Instruments' on 1 July 2018. As permitted by AASB 9, comparative information has not been restated. For details on adoption of AASB 9, refer to Note 1.1.

As at 30 June 2019, \$5,201 million of the Group's total liabilities at fair value through Income Statement (Bank: \$4,642 million) are expected to be settled within 12 months of the Balance Sheet date. As at 30 June 2018, the majority of the Group's and the Bank's liabilities at fair value through Income Statement were expected to be settled within 12 months.

The amount that would be contractually required to be paid at maturity to the holders of the financial liabilities designated at fair value through Income Statement for the Group is \$8,524 million (2018: \$10,093 million) and for the Bank is \$7,960 million (2018: \$8,949 million).

## Accounting policies

The Group designates certain liabilities at fair value through the Income Statement on origination when doing so eliminates or reduces an accounting mismatch, or where the liabilities contain embedded derivatives which must otherwise be separated and carried at fair value. Trading liabilities are incurred principally for the purpose of repurchasing or settling in the near term.

Subsequent to initial recognition, these liabilities are measured at fair value. Changes in fair value (except those due to changes in credit risk) are recognised in Other Banking Income. Changes in fair value relating to the Group's own credit risk are recognised in Other Comprehensive Income. Interest incurred is recognised within Net Interest Income using the effective interest method.

## 4.3 Debt issues

	Note	Group		Bank	
		30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Medium-term notes		98,342	99,579	84,014	87,474
Commercial paper		20,158	26,868	17,596	23,922
Securitisation notes	4.4	12,177	13,089	-	-
Covered bonds	4.4	33,313	32,758	29,452	28,588
<b>Total debt issues <sup>(1)</sup></b>		<b>163,990</b>	<b>172,294</b>	<b>131,062</b>	<b>139,984</b>
<b>Short Term Debt Issues by currency</b>					
USD		20,147	27,008	17,585	24,061
AUD		10	1,009	10	1,009
GBP		3,470	2,949	3,470	2,949
Other currencies		227	335	227	335
<b>Total short term debt issues</b>		<b>23,854</b>	<b>31,301</b>	<b>21,292</b>	<b>28,354</b>
<b>Long Term Debt Issues by currency <sup>(2)</sup></b>					
USD		48,293	51,472	43,802	48,017
EUR		36,172	33,057	28,601	26,842
AUD		37,909	35,066	24,770	20,875
GBP		3,653	4,701	2,510	3,614
NZD		3,596	3,954	834	1,028
JPY		2,115	3,505	1,989	3,390
Other currencies		8,331	9,175	7,197	7,801
Offshore loans (all JPY)		67	63	67	63
<b>Total long term debt issues</b>		<b>140,136</b>	<b>140,993</b>	<b>109,770</b>	<b>111,630</b>
<b>Maturity Distribution of Debt Issues <sup>(3)</sup></b>					
Less than twelve months		50,095	59,980	42,993	50,994
Greater than twelve months		113,895	112,314	88,069	88,990
<b>Total debt issues</b>		<b>163,990</b>	<b>172,294</b>	<b>131,062</b>	<b>139,984</b>

(1) Debt issues include unrealised movements of \$8,994 million in 2019 predominantly due to foreign exchange gains and losses.

(2) Long-term debt disclosed relates to debt issues which have a maturity at inception of greater than 12 months.

(3) Represents the remaining contractual maturity of the underlying instrument.

The Group's long-term debt issues include notes issued under the: USD70 billion Euro Medium Term Note Program; the USD50 billion US Medium Term Note Program; USD30 billion Covered Bond Program; Unlimited Domestic Debt Program; Unlimited ASB Domestic Medium Term Note Program; USD25 billion CBA New York Branch Medium Term Note Program; EUR7 billion ASB Covered Bond Program; USD10 billion ASB US Medium Term Note Program and other applicable debt documentation. Notes issued under debt programs are both fixed and variable rate. Interest rate risk associated with the notes is incorporated within the Bank's interest rate risk framework. The Bank, from time to time, as part of its balance sheet management, may consider opportunities to repurchase outstanding long-term debt pursuant to open-market purchases or other means. Such repurchases help manage the Bank's debt maturity profile, overall funding costs and assist in meeting regulatory changes and requirements.



## 4.3 Debt issues (continued)

	Group		
	30 Jun 19	30 Jun 18	30 Jun 17
<b>Short term borrowings by Commercial paper program <sup>(1)</sup></b>	<b>\$M (except where indicated)</b>		
<b>Total</b>			
Outstanding at year end <sup>(2)</sup>	20,158	26,868	28,800
Maximum amount outstanding at any month end	24,557	32,336	33,779
Average amount outstanding	21,592	30,007	29,226
<b>US Commercial Paper Program</b>			
Outstanding at year end <sup>(2)</sup>	20,120	26,792	28,393
Maximum amount outstanding at any month end	24,481	32,127	31,460
Average amount outstanding	21,494	29,887	27,593
Weighted average interest rate on:			
Average amount outstanding	2. 6%	1. 8%	1. 2%
Outstanding at year end	2. 7%	2. 3%	1. 5%
<b>Euro Commercial Paper Program</b>			
Outstanding at year end <sup>(2)</sup>	38	76	407
Maximum amount outstanding at any month end	163	219	2,789
Average amount outstanding	98	120	1,633
Weighted average interest rate on:			
Average amount outstanding	2. 2%	1. 5%	1. 0%
Outstanding at year end	2. 7%	2. 2%	1. 2%

(1) Short-term borrowings include callable medium term notes of \$3,696 million (2018: \$4,433 million) which have been excluded from the table above.

(2) The amount outstanding at year end is measured at amortised cost.

		As At	As At
<b>Exchange rates utilised <sup>(1)</sup></b>	<b>Currency</b>	<b>30 Jun 19</b>	<b>30 Jun 18</b>
<b>AUD 1.00 =</b>	USD	0. 7013	0. 7387
	EUR	0. 6170	0. 6350
	GBP	0. 5533	0. 5635
	NZD	1. 0460	1. 0909
	JPY	75. 6460	81. 7215

(1) End of day, Sydney time.

### Guarantee arrangement

#### Guarantee under the Commonwealth Bank Sale Act

Historically, the due payment of all monies payable by the Bank was guaranteed by the Commonwealth of Australia under section 117 of the Commonwealth Banks Act 1959 (as amended) at 30 June 1996. With the sale of the Commonwealth's shareholding in the Bank this guarantee has been progressively phased out under transitional arrangements found in the Commonwealth Bank Sale Act 1995.

Demand deposits are no longer guaranteed by the Commonwealth under this guarantee. However, debt issues payable by the Bank under a contract entered into prior to 19 July 1996 remain guaranteed until maturity.

## 4.3 Debt Issues (continued)

### Accounting Policies

Debt issues include short and long-term debt issues of the Group and consist of commercial paper, securitisation notes, covered bonds and medium term notes.

Debt issues are initially measured at fair value and subsequently measured at amortised cost.

Premiums, discounts and associated issue expenses are recognised in the Income Statement using the effective interest method from the date of issue, to ensure the carrying value of securities equals their redemption value by maturity date. Interest is recognised in the Income Statement using the effective interest method. Any profits or losses arising from redemption prior to maturity are taken to the Income Statement in the period in which they are realised.

The Group hedges interest rate and foreign currency rate risk on certain debt issues. When fair value hedge accounting is applied to fixed rate debt issues, the carrying values are adjusted for changes in fair value related to the hedged risks.

## 4.4 Securitisation, Covered Bonds and Transferred Assets

The Group enters into transactions in the normal course of business that transfers financial assets to counterparties or to Special Purpose Vehicles (SPVs). Transferred financial assets that do not qualify for de-recognition are typically associated with repurchase agreements and our covered bonds and securitisation programs. The underlying assets remain on the Group's Balance Sheet.

At the Balance Sheet date, transferred financial assets that did not qualify for de-recognition and their associated liabilities are as follows:

	Group					
	Repurchase Agreements		Covered Bonds		Securitisation <sup>(1)</sup>	
	30 Jun 19	30 Jun 18	30 Jun 19	30 Jun 18	30 Jun 19	30 Jun 18
	\$M	\$M	\$M	\$M	\$M	\$M
Carrying amount of transferred assets	19,129	14,696	39,129	37,012	13,521	14,661
Carrying amount of associated liabilities	19,099	14,696	33,313	32,758	12,177	13,089
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					13,524	14,667
Fair value of associated liabilities					12,177	13,089
<b>Net position</b>					<b>1,347</b>	<b>1,578</b>

	Bank					
	Repurchase Agreements		Covered Bonds		Securitisation <sup>(2)</sup>	
	30 Jun 19	30 Jun 18	30 Jun 19	30 Jun 18	30 Jun 19	30 Jun 18
	\$M	\$M	\$M	\$M	\$M	\$M
Carrying amount of transferred assets	19,245	14,806	34,160	32,210	70,274	71,136
Carrying amount of associated liabilities	19,215	14,806	29,452	28,588	69,800	70,484
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					70,281	71,155
Fair value of associated liabilities					69,800	70,484
<b>Net position</b>					<b>481</b>	<b>671</b>

(1) Securitisation liabilities of the Group include RMBS notes issued by securitisation SPVs and held by external investors.

(2) Securitisation liabilities of the Bank include borrowings from securitisation SPVs, including the SPVs that issue only internally held notes for repurchase with central banks, recognised on transfer of residential mortgages by the Bank. The carrying amount of associated liabilities from securitisation SPVs is recorded under loans due to controlled entities.

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## 4.4 Securitisation, covered bonds and transferred assets (continued)

### Accounting Policies

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#### Repurchase Agreements

Securities sold under agreement to repurchase are retained on the Balance Sheet when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the Balance Sheet when cash consideration is received.

#### Securitisation Programs

The Group pools and equitably assigns residential mortgages as securities to investors through a series of wholly controlled securitisation vehicles. Where the Bank and ASB retain substantially all of the risks and rewards associated with the mortgages, the Bank and ASB continue to recognise the mortgages on their Balance Sheets. The Group is entitled to any residual income of the securitisation programs after all payments due to investors have been met. The investors have recourse only to the pool of mortgages in the SPV they have invested in.

#### Covered Bonds Programs

To complement existing wholesale funding sources, the Group has established two global covered bond programs for the Bank and ASB. Certain residential mortgages have been assigned to SPV's associated with covered bond programs to provide security on the payments to investors. Similarly to securitisation programs, the Group is entitled to any residual income after all payments due to covered bond investors have been met. As the Bank and ASB retain substantially all of the risks and rewards associated with the mortgages, the Bank and ASB continue to recognise the mortgages on their Balance Sheets. The covered investors have dual recourse to the Bank and the covered pool assets.

#### Critical accounting judgements and estimates

The Group exercises judgement at inception and periodically thereafter, to assess whether a structured entity should be consolidated based on the Bank's power over the relevant activities of the entity and the significance of its exposure to variable returns of the structured entity. Such assessments are predominantly required for the Group's securitisation programs, and structured transactions such as covered bond programs.

## 5. Our investing, trading and other banking activities

### Overview

In addition to loans, the Group holds other assets to support its activities. Cash and liquid assets, receivables due from other financial institutions, trading assets and investment securities are held for liquidity purposes, to generate returns and to meet customer demand. The mix and nature of assets is driven by multiple factors including the Board's risk appetite, regulatory requirements, customer demand and the generation of shareholder returns.

The Group also transacts derivatives to meet customer demand and to manage its financial risks (interest rate, foreign currency, commodity and credit risks).

Refer to Note 9.1 for additional information relating to the Group's approach to managing financial risks through the use of derivatives.

### 5.1 Cash and liquid assets

	Group <sup>(1)</sup>		Bank <sup>(1)</sup>	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Notes, coins, cash at banks and money at short call	16,655	22,897	15,534	21,351
Securities purchased under agreements to resell	12,732	13,520	11,378	12,230
<b>Total cash and liquid assets</b>	<b>29,387</b>	<b>36,417</b>	<b>26,912</b>	<b>33,581</b>

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

### Accounting policies

Cash and liquid assets include cash at branches, cash at banks, nostro balances, money at call with an original maturity of three months or less and securities purchased under agreements to resell. Cash and liquid assets are initially recognised at fair value and subsequently measured at amortised cost. Interest is recognised in the Income Statement using the effective interest method.

Securities, including bonds and equities, purchased under agreements to resell are not recognised in the Financial Statements where substantially all the risks and rewards of ownership remain with the counterparty. An asset for the agreed resale amount by the counterparty is recognised within Cash and liquid assets.

## 5.2 Assets at fair value through income statement

	Group <sup>(1)</sup>		Bank <sup>(1)</sup>	
	30 Jun 19	30 Jun 18	30 Jun 19	30 Jun 18
Assets at Fair Value through Income Statement	\$M	\$M	\$M	\$M
<b>Trading</b>				
Government bonds, notes and securities	21,955	18,078	21,949	16,923
Corporate/financial institution bonds, notes and securities	3,264	6,108	3,264	5,112
Shares and equity investments	29	116	5	6
Commodities	7,258	7,952	7,258	7,952
<b>Total trading assets</b>	<b>32,506</b>	<b>32,254</b>	<b>32,476</b>	<b>29,993</b>
<b>Insurance <sup>(2)</sup></b>				
Investments backing life risk contracts	-	21	-	-
Investments backing life investment contracts	-	351	-	-
<b>Total life insurance investment assets</b>	<b>-</b>	<b>372</b>	<b>-</b>	<b>-</b>
<b>Other</b>				
Government securities	81	49	-	-
Receivables due from other corporate/financial institutions	434	209	235	-
Shares and equity investments	238	-	-	-
Other lending	418	-	417	-
<b>Total other assets at fair value through Income Statement</b>	<b>1,171</b>	<b>258</b>	<b>652</b>	<b>-</b>
<b>Total assets at fair value through Income Statement</b>	<b>33,677</b>	<b>32,884</b>	<b>33,128</b>	<b>29,993</b>
<b>Maturity Distribution of assets at fair value through income statement</b>				
Less than twelve months	33,450	32,247	32,947	29,724
More than twelve months	227	637	181	269
<b>Total assets at fair value through Income Statement</b>	<b>33,677</b>	<b>32,884</b>	<b>33,128</b>	<b>29,993</b>

(1) Current year balances reflect the adoption of AASB 9 'Financial Instruments' on 1 July 2018. As permitted by AASB 9, comparative information has not been restated. For details on the adoption of AASB 9, refer to Note 1.1.

(2) Life insurance assets have been reclassified to assets held for sale following the announced sale of PT Commonwealth Life.

## Accounting policies

These assets are categorised as assets held for trading, insurance assets and other investments. Trading assets are those acquired for the purpose of selling or repurchasing in the near term. Insurance assets are investments that back life insurance and life investment contracts. Other assets are those that are designated at fair value through Income Statement at inception. Subsequent to initial recognition, financial assets are measured at fair value with changes in fair value recognised in Other Banking Income.

## 5.3 Derivative financial instruments and hedge accounting

Derivatives are classified as “Held for Trading” or “Held for Hedging”. Held for Trading derivatives are contracts entered into in order to meet customers’ needs, to undertake market making and positioning activities, or for risk management purposes that do not qualify for hedge accounting. Held for Hedging derivatives are instruments held for risk management purposes, which meet the criteria for hedge accounting. Derivative financial instruments are contracts whose values are derived from one or more underlying prices, indexes or other variables.

The fair value of derivative financial instruments is set out in the following tables:

	30 Jun 19		Group <sup>(1)</sup> 30 Jun 18	
	Fair Value Asset \$M	Fair Value Liability \$M	Fair Value Asset \$M	Fair Value Liability \$M
<b>Derivatives assets and liabilities</b>				
<b>Held for trading</b>				
Foreign exchange rate related contracts:				
Forwards	5,404	(5,492)	8,118	(7,961)
Swaps	4,078	(7,327)	7,457	(8,505)
Options	349	(346)	462	(415)
Total foreign exchange rate related contracts	9,831	(13,165)	16,037	(16,881)
Interest rate related contracts:				
Swaps	6,978	(3,758)	4,834	(3,458)
Futures	46	(132)	6	(57)
Options	554	(463)	531	(736)
Total interest rate related contracts	7,578	(4,353)	5,371	(4,251)
Credit related swaps	21	(49)	46	(65)
Equity related contracts:				
Swaps	10	(26)	12	(40)
Options	1	(3)	1	(5)
Total equity related contracts	11	(29)	13	(45)
Commodity related contracts:				
Swaps	207	(193)	397	(386)
Options	57	(76)	146	(85)
Total commodity related contracts	264	(269)	543	(471)
Identified embedded derivatives	160	(60)	229	(58)
<b>Total derivative assets/(liabilities) held for trading</b>	<b>17,865</b>	<b>(17,925)</b>	<b>22,239</b>	<b>(21,771)</b>

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

Held for trading derivatives are expected to be recovered or due to be settled within 12 months of the Balance Sheet date.



## 5.3 Derivative financial instruments and hedge accounting (continued)

	30 Jun 19		Group <sup>(1)</sup> 30 Jun 18	
	Fair Value Asset \$M	Fair Value Liability \$M	Fair Value Asset \$M	Fair Value Liability \$M
<b>Fair value hedges</b>				
Foreign exchange rate related swaps	5,089	(2,384)	6,538	(3,783)
Interest rate related swaps	379	(1,440)	278	(1,672)
<b>Total fair value hedges</b>	<b>5,468</b>	<b>(3,824)</b>	<b>6,816</b>	<b>(5,455)</b>
<b>Cash flow hedges</b>				
Foreign exchange rate related swaps	1,470	(643)	2,335	(744)
Interest rate related swaps	411	(365)	734	(493)
Commodity price related swaps	-	(5)	-	-
<b>Total cash flow hedges</b>	<b>1,881</b>	<b>(1,013)</b>	<b>3,069</b>	<b>(1,237)</b>
<b>Net investment hedges</b>				
Foreign exchange rate related forwards	1	(15)	9	(9)
<b>Total net investment hedges</b>	<b>1</b>	<b>(15)</b>	<b>9</b>	<b>(9)</b>
<b>Total derivative assets/(liabilities) held for hedging</b>	<b>7,350</b>	<b>(4,852)</b>	<b>9,894</b>	<b>(6,701)</b>

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

The majority of hedging derivatives are expected to be recovered or due to be settled more than 12 months after the Balance Sheet date.

## 5.3 Derivative financial instruments and hedge accounting (continued)

	30 Jun 19		Bank <sup>(1)</sup> 30 Jun 18	
	Fair Value Asset \$M	Fair Value Liability \$M	Fair Value Asset \$M	Fair Value Liability \$M
<b>Derivatives assets and liabilities</b>				
<b>Held for trading</b>				
Foreign exchange rate related contracts:				
Forwards	5,392	(5,465)	8,081	(7,937)
Swaps	5,036	(8,161)	8,291	(9,197)
Options	348	(345)	460	(413)
Derivatives held with controlled entities	41	(2,015)	16	(1,734)
<b>Total foreign exchange rate related contracts</b>	<b>10,817</b>	<b>(15,986)</b>	<b>16,848</b>	<b>(19,281)</b>
Interest rate related contracts:				
Swaps	6,735	(3,653)	4,610	(3,226)
Futures	47	(132)	6	(57)
Options	554	(463)	531	(736)
Derivatives held with controlled entities	16	(91)	73	(87)
<b>Total interest rate related contracts</b>	<b>7,352</b>	<b>(4,339)</b>	<b>5,220</b>	<b>(4,106)</b>
Credit related swaps	21	(49)	46	(65)
Equity related contracts:				
Swaps	10	(26)	12	(40)
Options	1	(3)	1	(5)
<b>Total equity related contracts</b>	<b>11</b>	<b>(29)</b>	<b>13</b>	<b>(45)</b>
Commodity related contracts:				
Swaps	207	(193)	397	(386)
Options	57	(76)	146	(85)
<b>Total commodity related contracts</b>	<b>264</b>	<b>(269)</b>	<b>543</b>	<b>(471)</b>
Identified embedded derivatives	160	(60)	229	(58)
<b>Total derivative assets/(liabilities) held for trading</b>	<b>18,625</b>	<b>(20,732)</b>	<b>22,899</b>	<b>(24,026)</b>

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

Held for trading derivatives are expected to be recovered or due to be settled within 12 months of the Balance Sheet date.

## 5.3 Derivative financial instruments and hedge accounting (continued)

	30 Jun 19		Bank <sup>(1)</sup> 30 Jun 18	
	Fair Value Asset \$M	Fair Value Liability \$M	Fair Value Asset \$M	Fair Value Liability \$M
<b>Fair value hedges</b>				
Foreign exchange rate related contracts:				
Swaps	3,707	(1,670)	5,087	(3,052)
Derivatives held with controlled entities	-	(1,948)	35	(1,365)
Total foreign exchange rate related contracts	3,707	(3,618)	5,122	(4,417)
Interest rate related contracts:				
Swaps	333	(1,393)	213	(1,477)
Derivatives held with controlled entities	-	(68)	13	(27)
Total interest rate related contracts	333	(1,461)	226	(1,504)
<b>Total fair value hedges</b>	<b>4,040</b>	<b>(5,079)</b>	<b>5,348</b>	<b>(5,921)</b>
<b>Cash flow hedges</b>				
Foreign exchange rate related contracts:				
Swaps	1,329	(471)	2,011	(586)
Derivatives held with controlled entities	-	(97)	16	(30)
Total foreign exchange rate related contracts	1,329	(568)	2,027	(616)
Interest rate related contracts:				
Swaps	316	(255)	602	(299)
Derivatives held with controlled entities	-	-	-	-
Total interest rate related contracts	316	(255)	602	(299)
Commodity price related contracts:				
Swaps	-	(5)	-	-
Total commodity price related contracts	-	(5)	-	-
<b>Total cash flow hedges</b>	<b>1,645</b>	<b>(828)</b>	<b>2,629</b>	<b>(915)</b>
<b>Net investment hedges</b>				
Foreign exchange rate related forward contracts	1	(15)	9	(9)
<b>Total net investment hedges</b>	<b>1</b>	<b>(15)</b>	<b>9</b>	<b>(9)</b>
<b>Total derivative assets/(liabilities) held for hedging</b>	<b>5,686</b>	<b>(5,922)</b>	<b>7,986</b>	<b>(6,845)</b>

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

The majority of hedging derivatives are expected to be recovered or due to be settled more than 12 months after the Balance Sheet date.

## 5.3 Derivative financial instruments and hedge accounting (continued)

The table below shows the deferred gains and losses, which are expected to be transferred to the Income Statement in the period which the hedge forecast transaction takes place:

	<b>Group Total</b>		<b>Bank Total</b>	
	<b>30 Jun 19 \$M</b>	<b>30 Jun 18 \$M</b>	<b>30 Jun 19 \$M</b>	<b>30 Jun 18 \$M</b>
Within 6 months	47	(39)	57	(33)
6 months - 1 year	(103)	29	(32)	38
1 - 2 years	(340)	16	(215)	68
2 - 5 years	1,476	(131)	1,516	(25)
After 5 years	53	(95)	207	57
<b>Net deferred gains/(losses)</b>	<b>1,133</b>	<b>(220)</b>	<b>1,533</b>	<b>105</b>

## Accounting policies

### Derivatives transacted for hedging purposes

Derivatives are initially measured at fair value. Subsequent to initial recognition, gains or losses on derivatives are recognised in the Income Statement, unless they are entered into for hedging purposes and designated into a cash flow hedge.

### Hedging strategy and hedge accounting

The Group risk management strategy (refer notes 9.1 and 9.3) is to manage market risks within risk limits to minimise profit and capital volatility. The use of derivative and other hedging instruments for hedging purposes gives rise to potential volatility in the Income Statement because of mismatches in the accounting treatment between derivative and other hedging instruments and the underlying exposures being hedged. The Group's and the Bank's objective is to reduce volatility in the Income Statement by applying hedge accounting.

### Fair value hedges

Fair value hedges are used by the Group to manage exposure to changes in the fair value of an asset, liability or unrecognised firm commitments, predominantly associated with investment securities, debt issues and loan capital. Changes in fair values can arise from fluctuations in interest or foreign exchange rates. The Group principally uses interest rate swaps, cross currency swaps and futures to protect against such fluctuations.

Changes in the value of fair value hedges are recognised in the Income Statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. All gains and losses associated with the ineffective portion of fair value hedge relationships are recognised immediately as 'Other Banking Income' in the Income Statement.

If the hedge relationship no longer meets the criteria for hedge accounting, it is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the Income Statement from the date of discontinuation over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the Income Statement.

### Cash flow hedges

Cash flow hedges are used by the Group to manage exposure to variability in future cash flows, which could affect profit or loss and may result from fluctuations in interest and exchange rates or in commodity prices on financial assets, financial liabilities or highly probable forecast transactions, predominantly associated with floating rate domestic loans and deposits. The Group principally uses interest rate swaps, cross currency swaps, futures and equity related swaps to protect against such fluctuations.

Changes in fair value associated with the effective portion of a cash flow hedge are recognised through Other Comprehensive Income in the Cash Flow Hedge Reserve within equity. Ineffective portions are recognised immediately in the Income Statement. Amounts deferred in equity are transferred to the Income Statement in the period in which the hedged forecast transaction takes place.

When a hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified to profit or loss in the period in which the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recycled immediately to the Income Statement. Where it is appropriate, non-derivative financial assets and liabilities are also designated as hedging instruments in cash flow hedge relationships.

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## 5.3 Derivative financial instruments and hedge accounting (continued)

### Derivatives transacted for hedging purposes (continued)

#### Net investment hedges

The Group holds investments in foreign operations, where changes in net assets resulting from changes in foreign currency rates are recognised in foreign currency translation reserve and results in volatility in shareholders' equity. To protect against the foreign currency risk, the Group enters into foreign currency forwards that are designated as hedging instruments in net investment hedges. Gains and losses on derivative contracts relating to the effective portion of the net investment hedge are recognised in the foreign currency translation reserve in equity. Ineffective portions are recognised immediately in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign subsidiary or branch is disposed of.

#### Risk components

In some hedging relationships, the Group and the Bank designate risk components of hedged items as follows:

- Benchmark interest rate risk as a component of interest rate risk, such as the Bank Bill Benchmark Rate component; and
- Spot exchange rate risk as a component of foreign currency risk for foreign currency financial assets and liabilities.

Hedging the benchmark interest rate risk or spot exchange rate risk components results in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship.

#### Economic relationships and hedge effectiveness

The Group performs both prospective and retrospective tests to determine the economic relationship between the hedged item and the hedging instrument, and to assess hedge effectiveness. At inception of the hedge relationship, prospective testing is performed on a matched terms basis. This test checks that the critical terms are matched between the hedging instrument and the hedged item. At the same time a hedging ratio is established by matching the notional of the derivatives with the principal of the portfolio or financial instruments being hedged, in most cases the ratio is 100%. Retrospective testing for each reporting period uses a regression model, which compares the change in the fair value of the hedged item and the change in the fair value of the hedging instrument. For a hedge to be deemed effective, the change in fair values should be within 80 to 125% of each other. Should the result fall outside this range the hedge would be deemed ineffective and recognised immediately through the income statement in line with each hedge relationship policy above.

Sources of hedge ineffectiveness affecting hedge accounting are:

- Differences in discounting between the hedged item and the hedging instrument. Collateralised derivatives are discounted using Overnight Indexed Swaps (OIS) discount curves, which are not applied to the hedged item;
- Change in the credit risk of the hedging instrument; and
- Mismatches between the contractual terms of the hedged item and the hedging instrument.

No other sources of hedge ineffectiveness have arisen during the year.

#### Embedded derivatives

In certain instances, a derivative may be embedded within a host contract. It is accounted for separately as a stand-alone derivative at fair value, where:

- the host contract is not carried at fair value through the Income Statement; and
- the economic characteristics and risks of the embedded derivative are not closely related to the host contract.

## 5.3 Derivative financial instruments and hedge accounting (continued)

### Hedging instruments

The following table provides details of the Group's and the Bank's hedging instruments by the type of hedge relationship in which they are designated and the type of risk being hedged.

	Group 30 Jun 19			Bank 30 Jun 19		
	Notional \$M	Fair Value Derivative Assets \$M	Fair Value Derivative Liability \$M	Notional \$M	Fair Value Derivative Assets \$M	Fair Value Derivative Liability \$M
<b>Fair value hedges</b>						
Interest rate	112,725	379	(1,440)	98,365	333	(1,461)
Foreign exchange	709	7	(6)	-	-	-
Interest rate and foreign exchange	59,070	5,082	(2,378)	55,587	3,707	(3,618)
<b>Total fair value hedges</b>	<b>172,504</b>	<b>5,468</b>	<b>(3,824)</b>	<b>153,952</b>	<b>4,040</b>	<b>(5,079)</b>
<b>Cash flow hedges</b>						
Interest rate	529,431	411	(365)	481,685	316	(255)
Foreign exchange	19,400	1,470	(643)	16,835	1,329	(568)
Commodity price	80	-	(5)	80	-	(5)
<b>Total cash flow hedges</b>	<b>548,911</b>	<b>1,881</b>	<b>(1,013)</b>	<b>498,600</b>	<b>1,645</b>	<b>(828)</b>
<b>Net investment hedges</b>						
Foreign exchange	481	1	(15)	481	1	(15)
<b>Total net investment hedges</b>	<b>481</b>	<b>1</b>	<b>(15)</b>	<b>481</b>	<b>1</b>	<b>(15)</b>
<b>Total hedging instrument assets/(liabilities)</b>	<b>721,896</b>	<b>7,350</b>	<b>(4,852)</b>	<b>653,033</b>	<b>5,686</b>	<b>(5,922)</b>

In addition to derivative instruments used to hedge foreign currency risk, the Group and the Bank designate debt issues as hedging instruments of certain foreign exchange risk exposures. The carrying value of debt issues designated as cash flow hedging instruments as at 30 June 2019 was \$949 million with average maturity of 4 years for the Group and \$62 million with average maturity of 1 year for the Bank.

## 5.3 Derivative financial instruments and hedge accounting (continued)

### Hedging instruments (continued)

The table below provides maturity analysis of expected notional values of the Group's hedging instruments by the type of hedge relationship in which they are designated and the type of risk being hedged:

					Group 30 Jun 19
		Notional Amounts			
	Hedged Risk	Due within 1 year \$M	Due from 1 to 5 years \$M	Due beyond 5 years \$M	Total \$M
Fair value hedges	Interest rate	16,714	45,248	50,763	112,725
	Foreign exchange	709	-	-	709
	Interest rate and foreign exchange	12,575	29,577	16,918	59,070
Cash flow hedges and net investment hedges	Interest rate	338,071	185,963	5,397	529,431
	Foreign exchange	12,867	4,722	2,292	19,881
	Commodity price	5	23	52	80

The weighted average fixed interest rate of interest rate swaps hedging interest rate risk is 2.00%. The major currency pairs of cross currency swaps designated in hedge relationships are receive USD / pay AUD and receive EUR / pay USD with weighted average foreign currencies rates of: AUD/USD 0.85 and USD/EUR 0.82.

The table below provides maturity analysis of expected notional values of the Bank's hedging instruments by the type of hedge relationship in which they are designated and the type of risk being hedged:

					Bank 30 Jun 19
		Notional Amounts			
	Hedged Risk	Due within 1 year \$M	Due from 1 to 5 years \$M	Due beyond 5 years \$M	Total \$M
Fair value hedges	Interest rate	14,685	36,050	47,630	98,365
	Foreign exchange	-	-	-	-
	Interest rate and foreign exchange	10,649	29,850	15,088	55,587
Cash flow hedges and net investment hedges	Interest rate	316,484	160,217	4,984	481,685
	Foreign exchange	10,436	4,588	2,292	17,316
	Commodity price	5	23	52	80

The weighted average fixed interest rate of interest rate swaps hedging interest rate risk is 2.00%. The major currencies of cross currency swaps designated in hedge relationships are receive USD / pay AUD and receive EUR / pay USD with weighted average foreign currencies rate: AUD/USD 0.84 and USD/EUR 0.83.



## 5.3 Derivative financial instruments and hedge accounting (continued)

### Hedged items in fair value hedges

The table below provides details of the Group's and the Bank's hedged items designated in fair value hedge relationships by the type of risk being hedged:

Hedged Items	Hedged Risk	Group 30 Jun 19		Bank 30 Jun 19	
		Carrying Amount \$M	Fair Value Adjustment <sup>(1) (2)</sup> \$M	Carrying Amount \$M	Fair Value Adjustment <sup>(1) (2)</sup> \$M
Investment securities at fair value through other comprehensive income	Interest rate	44,493	4,438	40,064	4,425
Investment securities at fair value through other comprehensive income	Interest rate and foreign exchange	10,130	201	10,130	201
Loans, bills discounted and other receivables	Interest rate	2,136	63	57	57
Shares in and loans to controlled entities	Interest rate	-	-	1,533	65
Shares in and loans to controlled entities	Interest rate and foreign exchange	-	-	19,690	853
Deposits and other public borrowings	Interest rate	557	7	557	7
Deposits and other public borrowings	Interest rate and foreign exchange	49	5	49	5
Assets held for sale	Foreign exchange	1,161	49	-	-
Debt issues	Interest rate	26,319	746	17,713	573
Debt issues	Interest rate and foreign exchange	63,566	2,155	47,585	1,368
Loan capital interest bearing	Interest rate	5,974	326	5,582	316
Loan capital interest bearing	Interest rate and foreign exchange	9,443	192	9,443	193

(1) Represents the accumulated amount of the fair value adjustment included in the carrying amount. Positive amounts represent increases in the carrying amount of the asset or liability. The cumulative amount that is related to ceased hedge relationships where the risk being hedged was interest rate and foreign exchange risk is nil.

(2) Changes in fair value of the hedged item used as a basis to determine effectiveness. The changes in fair value of the hedged items are recognised in Other Banking Income.

## 5.3 Derivative financial instruments and hedge accounting (continued)

### Hedge items in cash flow hedges and net investment hedges

The table below provides details of the Group's and the Bank's hedged items designated in cash flow and net investment hedge relationships by the type of risk being hedged:

Hedged Items	Hedged Risk	Group 30 Jun 19		Bank 30 Jun 19	
		Cash Flow Hedge Reserve <sup>(1)</sup>	Foreign Currency Translation Reserve <sup>(2)</sup>	Cash Flow Hedge Reserve <sup>(1)</sup>	Foreign Currency Translation Reserve <sup>(2)</sup>
		\$M	\$M	\$M	\$M
<b>Cash Flow Hedges</b>					
Investment securities at fair value through other comprehensive income	Foreign exchange	15	-	15	-
Loans, bills discounted and other receivables	Interest rate	4,085	-	3,834	-
Shares in and loans to controlled entities	Interest rate	-	-	3	-
Shares in and loans to controlled entities	Foreign exchange	-	-	68	-
Deposits and other public borrowings	Interest rate	(2,741)	-	(2,447)	-
Debt issues	Interest rate	(7)	-	(6)	-
Debt issues	Foreign exchange	(117)	-	76	-
Loan capital interest bearing	Interest rate and Foreign exchange	7	-	7	-
Highly probable forecast transactions	Foreign exchange	(92)	-	-	-
Highly probable forecast transactions	Commodity price	(17)	-	(17)	-
<b>Net Investment Hedges</b>					
Foreign Operations	Foreign exchange	-	(33)	-	(33)
<b>Total</b>		<b>1,133</b>	<b>(33)</b>	<b>1,533</b>	<b>(33)</b>

(1) Represents the accumulated effective amount of the hedging instrument deferred to Cash Flow Hedge Reserve. The cumulative amount related to ceased hedge relationships where the risk being hedged was interest rate and foreign exchange risk is a loss of \$13 million for the Group and the Bank. A cumulative loss of \$1 million related to ceased hedge relationships was amortised to Income Statement during the period.

(2) Represents the accumulated effective amount of the hedging instrument deferred to Foreign Currency Translation Reserve. The cumulative amount related to ceased hedge relationships where the risk being hedged was foreign exchange risk is nil.

## 5.3 Derivative financial instruments and hedge accounting (continued)

### Hedge effectiveness

The table below details effectiveness of the Group's and the Bank's hedges by the type of hedge relationship and the type of risk being hedged:

	Group 30 Jun 19			Bank 30 Jun 19		
	Change in Value of Hedged Item <sup>(1)</sup>	Change in Value of Hedging Instrument	Hedge Ineffectiveness recognised in Income statement <sup>(2)</sup>	Change in Value of Hedged Item <sup>(1)</sup>	Change in Value of Hedging Instrument	Hedge Ineffectiveness recognised in Income statement <sup>(2)</sup>
	\$M	\$M	\$M	\$M	\$M	\$M
<b>Fair value hedges</b>						
Interest rate	1,257	(1,269)	(12)	1,384	(1,397)	(13)
Foreign exchange	49	(49)	-	-	-	-
Interest rate and Foreign exchange	(1,864)	1,885	21	(760)	783	23
<b>Total fair value hedges</b>	<b>(558)</b>	<b>567</b>	<b>9</b>	<b>624</b>	<b>(614)</b>	<b>10</b>
<b>Cash flow hedges and net investment hedges</b>						
Interest rate	(1,279)	1,283	4	(1,302)	1,308	6
Foreign exchange	(51)	51	-	(101)	101	-
Commodity prices	(5)	5	-	(5)	5	-
<b>Total cash flow hedges and net investment hedges</b>	<b>(1,335)</b>	<b>1,339</b>	<b>4</b>	<b>(1,408)</b>	<b>1,414</b>	<b>6</b>

(1) Changes in value of hedged item for fair value hedges is recognised in Other Banking Income. Changes in value of the hedged item for cash flow hedges is only used as basis for recognising ineffectiveness and represents the lower of the change in the hedged item and the hedging instrument. During the year, the unrealised gains deferred to the Cash flow hedge reserve were \$1,355 million for the Group and \$1,428 million for the Bank, and a loss recognised in the Net investment hedge reserve was \$20 million for the Group and the Bank.

(2) Hedge ineffectiveness is recognised in Other Banking Income.

## 5.4 Investment securities

	Group <sup>(1)</sup>		Bank <sup>(1)</sup>	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Investment securities at fair value through OCI</b>				
Government bonds, notes and securities	50,560	-	48,454	-
Corporate/financial institution bonds, notes and securities	18,075	-	16,407	-
Shares and equity investments	67	-	45	-
Covered bonds, mortgage backed securities and SSA <sup>(2)</sup>	10,210	-	8,306	-
<b>Total investment securities at fair value through OCI</b>	<b>78,912</b>	<b>-</b>	<b>73,212</b>	<b>-</b>
<b>Investment securities at amortised cost</b>				
Government bonds, notes and securities	6	-	-	-
Covered bonds, mortgage backed securities and SSA <sup>(2)</sup>	7,349	-	7,349	-
<b>Total investment securities at amortised cost</b>	<b>7,355</b>	<b>-</b>	<b>7,349</b>	<b>-</b>
<b>Total investment securities</b>	<b>86,267</b>	<b>-</b>	<b>80,561</b>	<b>-</b>
<b>Available-for-Sale Investments (AASB 139)</b>				
Government bonds, notes and securities	-	46,363	-	44,701
Corporate/financial institution bonds, notes and securities	-	21,372	-	20,356
Shares and equity investments	-	298	-	45
Covered bonds, mortgage backed securities and SSA <sup>(2)</sup>	-	14,207	-	12,629
<b>Total available-for-sale investments (AASB 139)</b>	<b>-</b>	<b>82,240</b>	<b>-</b>	<b>77,731</b>

(1) Current year balances reflect the adoption of AASB 9 'Financial Instruments' on 1 July 2018. As permitted by AASB 9, comparative information has not been restated.

(2) Supranational, Sovereign and Agency Securities (SSA).

As at 30 June 2019, Investment Securities at Fair Value through OCI expected to be recovered within 12 months of the Balance Sheet date were \$10,409 million (2018: \$14,772 million) for the Group, and \$8,639 million (2018: \$13,478 million) for the Bank. As at 30 June 2019, Investment Securities at Amortised Cost amounts expected to be recovered within 12 months of the Balance Sheet date were \$1,622 million (2018: Nil) for the Group and the Bank. As at 30 June 2018, Available for Sale investments expected to be recovered within 12 months of the Balance Sheet date were \$14,772 million for the Group, and \$13,478 million for the Bank.

## 5.4 Investment securities (continued)

	Group									Total \$M
	Maturity Period at 30 June 2019									
	0 to 1 Year		1 to 5 Years		5 to 10 Years		10 or more Years		Non-Maturing	
	\$M	%	\$M	%	\$M	%	\$M	%	\$M	
Investment securities at fair value through OCI										
Government bonds, notes and securities	3,712	1.99	16,221	1.46	24,978	1.70	5,649	2.77	-	50,560
Corporate/financial institution bonds, notes and securities	4,805	1.59	12,934	2.58	336	2.52	-	-	-	18,075
Shares and equity investments	-	-	-	-	-	-	-	-	67	67
Covered bonds, mortgage backed securities and SSA	1,849	1.92	6,349	1.72	1,340	1.78	672	3.34	-	10,210
Total investment securities at fair value through OCI	10,366		35,504		26,654		6,321		67	78,912
Investment securities at amortised cost										
Government bonds, notes and securities	6	0.66	-	-	-	-	-	-	-	6
Covered bonds, mortgage backed securities and SSA	-	-	22	2.72	256	2.39	7,071	2.32	-	7,349
Total investment securities at amortised cost	6		22		256		7,071		-	7,355
Total investment securities	10,372	-	35,526	-	26,910	-	13,392	-	67	86,267

## Accounting policies

Investment securities primarily include public debt securities held as part of the Group's liquidity portfolio.

### Investment securities at Fair Value through OCI (FVOCI)

#### Debt securities

This category includes debt securities held within the business model whose objective is achieved by both collecting contractual cash flows and selling the assets. The contractual cash flows on these financial assets comprise payments of principal and interest only. These securities are initially recognised at their fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value through Other Comprehensive Income.

Interest income and foreign exchange gains and losses on these securities are recognised in the Income Statement. The securities are assessed for impairment using the expected credit loss approach described in Note 1.1. Impairment is recognised in the Loan Impairment Expense line in the Income Statement.

When FVOCI debt securities are derecognised, the cumulative gain or loss recognised in Other Comprehensive Income is reclassified to the Other Banking Income line in the Income Statement.

#### Equity securities

This category also includes non-traded equity instruments designated at fair value through Other Comprehensive Income. Fair value gains and losses and foreign exchange gains and losses on these equity instruments are recognised in Other Comprehensive Income and are not reclassified to the Income Statement on derecognition.

### Investment securities at amortised cost

This category includes debt securities held within the business model whose objective is to hold financial assets in order to collect contractual cash flows. The contractual cash flows on these financial assets comprise the payment of principal and interest only. These securities are initially recognised at their fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method and are presented net of provisions for impairment. For the accounting policy for provisions for impairment, refer to Note 1.1.

## 6. Other assets

### Overview

The Group's other assets comprise assets not included in its lending, investing, trading and other banking activities. Other Assets include property, plant and equipment held for use and for lease through our asset finance businesses. Other assets also include software, brand names and goodwill. These assets support the Group's business activities.

### 6.1 Intangible assets

	Group <sup>(1)</sup>		Bank <sup>(1)</sup>	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Goodwill</b>				
Purchased goodwill at cost	5,974	6,941	2,522	2,522
<b>Closing balance</b>	<b>5,974</b>	<b>6,941</b>	<b>2,522</b>	<b>2,522</b>
<b>Computer Software Costs</b>				
Cost	4,837	4,633	4,396	4,122
Accumulated amortisation	(3,125)	(2,814)	(2,842)	(2,440)
<b>Closing balance</b>	<b>1,712</b>	<b>1,819</b>	<b>1,554</b>	<b>1,682</b>
<b>Brand Names <sup>(2)</sup></b>				
Cost	203	206	186	186
Accumulated amortisation	(2)	(1)	-	-
<b>Closing balance</b>	<b>201</b>	<b>205</b>	<b>186</b>	<b>186</b>
<b>Other Intangibles <sup>(3)</sup></b>				
Cost	351	342	219	192
Accumulated amortisation	(273)	(217)	(164)	(116)
<b>Closing balance</b>	<b>78</b>	<b>125</b>	<b>55</b>	<b>76</b>
<b>Total Intangible assets</b>	<b>7,965</b>	<b>9,090</b>	<b>4,317</b>	<b>4,466</b>

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

(2) Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. This balance also includes the Aussie Home Loans brand name (\$16 million) which has an indefinite useful life. They are not subject to amortisation, but require annual impairment testing. No impairment was required this period. The Count Financial brand name of \$3 million was impaired during the year ended 30 June 2019.

(3) Other intangibles include the value of customer and credit card relationships acquired from Bankwest and Aussie Home Loans. This value represents future net income generated from the relationships that existed at Balance Sheet date. The assets have a useful life of between 6 and 10 years based on the attrition rates of customers. Other intangibles also include prepaid software licences with a net book value of \$54 million (30 June 2018: \$67 million). Customer relationship intangibles in relation to Count Financial of \$13 million were impaired during the year ended 30 June 2019.

#### Impairment tests for goodwill and intangible assets with indefinite lives

To assess whether goodwill and other assets with indefinite useful lives are impaired, the carrying amount of a cash-generating unit or a group of cash-generating units are compared to the recoverable amount. The recoverable amount is determined based on fair value less cost to sell, primarily using an earnings multiple applicable to that type of business. The category of this fair value is Level 3 as defined in Note 9.5.

Earnings multiples relating to the Group's Banking cash-generating units are sourced from publicly available data associated with Australian businesses displaying similar characteristics to those cash-generating units, and are applied to current earnings. The key assumption is the Price-Earnings (P/E) multiple observed for these businesses, which for the Banking businesses were in the range of 11.6x – 12.0x (2018: 10.9x – 11.2x). The goodwill allocated to the Wealth Management and IFS cash-generating units is not significant.

## 6.1 Intangible assets (continued)

### Goodwill allocation to cash generating units

	<b>Group <sup>(1)</sup></b>	
	<b>30 Jun 19</b>	<b>30 Jun 18</b>
	<b>\$M</b>	<b>\$M</b>
Retail Banking Services	3,744	3,841
Business and Private Banking	1,271	1,271
Wealth Management	679	1,551
New Zealand	269	258
IFS and Other	11	20
<b>Total</b>	<b>5,974</b>	<b>6,941</b>

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

Reconciliation of the carrying amounts of Intangible Assets is set out below:

	<b>Group <sup>(1)</sup></b>		<b>Bank <sup>(1)</sup></b>	
	<b>30 Jun 19</b>	<b>30 Jun 18</b>	<b>30 Jun 19</b>	<b>30 Jun 18</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>Goodwill</b>				
Opening balance	6,941	7,872	2,522	2,522
Additions	-	446	-	-
Transfers/disposals/other adjustments <sup>(2)</sup>	(967)	(1,377)	-	-
<b>Closing balance</b>	<b>5,974</b>	<b>6,941</b>	<b>2,522</b>	<b>2,522</b>
<b>Computer Software Costs</b>				
Opening balance	1,819	1,934	1,682	1,735
Additions <sup>(3)</sup>	343	486	287	399
Amortisation and write-offs <sup>(4)</sup>	(450)	(553)	(415)	(452)
Reclassification to assets held for sale	-	(48)	-	-
<b>Closing balance</b>	<b>1,712</b>	<b>1,819</b>	<b>1,554</b>	<b>1,682</b>
<b>Brand Names</b>				
Opening balance	205	189	186	186
Additions	-	16	-	-
Impairment <sup>(5)</sup>	(4)	-	-	-
<b>Closing balance</b>	<b>201</b>	<b>205</b>	<b>186</b>	<b>186</b>
<b>Other Intangibles</b>				
Opening balance	125	100	76	77
Additions	140	178	142	139
Amortisation and impairment <sup>(6)</sup>	(187)	(153)	(163)	(140)
<b>Closing balance</b>	<b>78</b>	<b>125</b>	<b>55</b>	<b>76</b>

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

(2) Includes reclassifications to assets held for sale and foreign currency revaluation.

(3) Primarily relates to internal development costs.

(4) Includes amounts associated with discontinued operations.

(5) The Count Financial brand name of \$3 million was impaired during the year ended 30 June 2019.

(6) Customer relationship intangibles in relation to Count Financial of \$13 million were impaired during the year ended 30 June 2019.



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## 6.1 Intangible assets (continued)

### Accounting policies

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Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only if it is probable the asset will generate future benefits for the Group. Those assets with an indefinite useful life are tested for impairment annually. All intangible assets must be tested for impairment when there is an indication that its carrying amount may be greater than its recoverable amount.

#### Goodwill

Goodwill arises on the acquisition of an entity and represents the excess of the consideration paid over the fair value of the net assets and liabilities acquired. Goodwill is tested for impairment annually through allocation to a group of Cash Generating Units (CGUs). The CGUs' recoverable amount is then compared to the carrying amount of the CGUs including goodwill and an impairment is recognised for any excess carrying value.

#### Computer software costs

Certain internal and external costs directly incurred in acquiring and developing software, net of specific project related grants, are capitalised and amortised over the estimated useful life on a straight line basis. The majority of software projects are amortised over two to five years. The Group's core banking software is amortised over ten years. Software maintenance is expensed as incurred.

#### Brand names

Brand names acquired in a business combination include Aussie Home Loans, Bankwest and Count Financial Limited and these were initially recognised at fair value. Aussie Home Loans and Bankwest brand names are assessed as having an indefinite useful life as there is no foreseeable limit to the period over which the brand names are expected to generate cash flows. Count Financial brand name has been fully impaired during the year. The remaining brand names are amortised over their useful life.

#### Other intangibles

Other intangibles predominantly comprise customer relationships. Customer relationships acquired as part of a business combination are initially measured at fair value. They are subsequently measured at cost less accumulated amortisation and any impairment losses. Amortisation is calculated based on the timing of projected cash flows associated with those relationships.

#### Critical accounting judgements and estimates

Goodwill is allocated to CGUs whose recoverable amount is calculated for the purpose of impairment testing. The recoverable amount calculation relies primarily on publicly available earnings multiples, which are disclosed on page 109.

## 6.2 Other assets

	Note	Group <sup>(1) (2)</sup>		Bank <sup>(1) (2)</sup>	
		30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Accrued interest receivable		2,421	2,377	2,577	3,114
Accrued fees/reimbursements receivable <sup>(3)</sup>		1,117	1,255	258	205
Securities sold not delivered		1,893	1,823	1,323	1,398
Intragroup current tax receivable		-	-	320	283
Current tax assets		624	24	609	3
Prepayments		291	253	190	143
Defined benefit superannuation plan surplus	10.2	462	581	462	581
Other		307	611	171	485
<b>Total other assets</b>		<b>7,115</b>	<b>6,924</b>	<b>5,910</b>	<b>6,212</b>

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

(2) Current period balances reflect the adoption of AASB 15 'Revenue from Contracts with Customers' on 1 July 2018. As permitted by AASB 15 comparative information has not been restated. For details on adoption of AASB 15 refer to Note 1.1.

(3) Accrued fees/reimbursements receivable as at 30 June 2019 include trail commission receivable of \$442 million for the Group.

Except for the defined benefits superannuation plan surplus, the majority of the above amounts are expected to be recovered within 12 months of the Balance Sheet date.

## Accounting policies

Other assets include interest and fee receivables, current tax assets, prepayments receivables on unsettled trades and the surplus within defined benefit plans. Interest receivables are recognised on an accruals basis, fees and reimbursements receivable are recognised once the service is provided and trade date accounted securities sold not delivered are recognised between trade execution and final settlement. The remaining other assets are recognised on an accruals or service performed basis and amortised over the period in which the economic benefits from these assets are received. Further defined benefit plan details are provided in Note 10.2.

## 7. Other liabilities

### Overview

Other liabilities primarily represent provisions recognised, interest payable, fees and bills payable and unsettled trades. Other provisions principally cover annual leave and long service leave employee entitlements as well as general insurance claims, provisions for customer remediation, compliance and regulation programs and litigations. Also, it includes provision for impairment losses on financial guarantees and other off-balance sheet instruments issued by the Group. They do not relate to individually assessed provisions or collective provisions recognised on impaired financial assets of the Group (such as impaired home loans).

Certain provisions involve significant judgement to determine the likely outcome of events as well as a reliable estimate of the outflow. Where future events are uncertain or where the outflow cannot be reliably determined, these are disclosed as contingent liabilities. Contingent liabilities are not recognised in the Group's Balance Sheet but disclosed in Note 12.1.

Commentary on certain other provisions and contingent liabilities are given in Note 7.1.

### 7.1 Other provisions

	Note	Group <sup>(1)</sup>		Bank <sup>(1)</sup>	
		30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Employee entitlements		958	880	906	839
General insurance claims		292	219	-	-
Customer remediation		959	162	901	134
Dividends	8.4	119	113	119	113
Compliance and regulation		213	283	213	283
Off-balance sheet instruments <sup>(2)</sup>		84	28	82	28
Other		126	175	116	164
<b>Total other provisions</b>		<b>2,751</b>	<b>1,860</b>	<b>2,337</b>	<b>1,561</b>

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

(2) The adoption of AASB 9 impairment requirements on 1 July 2018 resulted in an \$87 million increase in the Group's collective provisions for off-balance sheet instruments (Bank: \$84 million). As permitted by AASB 9, comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1.

#### Maturity distribution of other provisions

	Group <sup>(1)</sup>		Bank <sup>(1)</sup>	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Less than twelve months	2,284	1,606	1,825	1,352
More than twelve months	467	254	512	209
<b>Total other provisions</b>	<b>2,751</b>	<b>1,860</b>	<b>2,337</b>	<b>1,561</b>

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

## 7.1 Other provisions (continued)

	Group <sup>(1)</sup>		Bank <sup>(1)</sup>	
	30 Jun 19	30 Jun 18	30 Jun 19	30 Jun 18
	\$M	\$M	\$M	\$M
<b>Reconciliation</b>				
<b>General insurance claims:</b>				
Opening balance	219	273	-	-
Additional provisions	637	530	-	-
Amounts utilised during the year	(564)	(584)	-	-
<b>Closing balance</b>	<b>292</b>	<b>219</b>	<b>-</b>	<b>-</b>
<b>Customer remediation:</b>				
Opening balance	162	202	134	194
Additional provisions <sup>(2)</sup>	963	162	903	135
Amounts utilised during the year	(166)	(157)	(136)	(162)
Release of provision	-	(45)	-	(33)
<b>Closing balance</b>	<b>959</b>	<b>162</b>	<b>901</b>	<b>134</b>
<b>Compliance and regulation:</b>				
Opening balance	283	69	283	69
Additional provisions <sup>(3)</sup>	125	389	125	389
Amounts utilised during the year	(188)	(175)	(188)	(175)
Release of provision	(7)	-	(7)	-
<b>Closing balance</b>	<b>213</b>	<b>283</b>	<b>213</b>	<b>283</b>
<b>Off-balance sheet instruments:</b>				
Opening balance	28	25	28	25
Changes on adoption of AASB 9 <sup>(4)</sup>	87	-	84	-
Additional provisions	-	3	-	3
Release of provision	(31)	-	(30)	-
<b>Closing balance</b>	<b>84</b>	<b>28</b>	<b>82</b>	<b>28</b>
<b>Other:</b>				
Opening balance	175	264	164	227
Additional provisions	57	135	49	93
Amounts utilised during the year	(100)	(131)	(97)	(113)
Release of provision	-	(56)	-	(43)
Reclassification to liabilities held for sale	(6)	(37)	-	-
<b>Closing balance</b>	<b>126</b>	<b>175</b>	<b>116</b>	<b>164</b>

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

(2) Customer remediation includes provisions recognised during the current year for Aligned Advice, Banking and other Wealth Management remediation including related program costs.

(3) Compliance and regulation includes additional provisions recognised during the current year for Financial Crimes Compliance Program of Action, ASIC investigation, Better Risk Outcomes Program (BROP) and litigation related costs.

(4) The adoption of AASB 9 impairment requirements on 1 July 2018 resulted in an \$87 million increase in the Group's collective provisions for off-balance sheet instruments (Bank: \$84 million). As permitted by AASB 9, comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1.

## Accounting policies

### General insurance claims

This provision is to cover future claims on general insurance contracts that have been incurred but not reported. The provision will be realised upon settlement of claims whose maturities were uncertain at the reporting date.

### Customer remediation

This provision covers customer remediation costs and related program costs.

### Compliance and regulation

This provision relates to project and other administrative costs associated with certain compliance and regulatory programs of the Group.

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## 7.1 Other provisions (continued)

### Accounting policies (continued)

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#### *Other provisions*

Other provisions include provisions for redundancy and restructuring costs, self-insurance provisions, make-good provisions in relation to property leases, and provisions for certain other costs.

#### *Provisions for employee entitlements (such as long service leave, annual leave and other employee benefits)*

This provision is calculated based on expected payments. Where the payments are expected to be more than one year in the future, these provisions factor in the expected period of service by employees, as well as salary increases. These future obligations are discounted using a market observable rate.

Provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated. Where the effect of the time value of money is material, the amount of the provision is measured as the present value of expenditures required to settle the obligation, based on a market observable rate.

#### **Critical accounting judgements and estimates**

Provisions are held in respect of a range of future obligations, some of which involve significant judgement about the likely outcome of various events and estimated future cash flows.

#### **Customer remediation**

Provisions for customer remediation require significant levels of estimation and judgement. The amount raised depends on a number of different assumptions, such as the number of years impacted, the forecast refund rate and the average cost per case. The Group is committed to comprehensively and efficiently addressing the full range of remediation issues impacting customers of the Banking and Wealth Management businesses. Significant resources have been committed to a comprehensive program of work, to ensure that all issues are identified and addressed.

#### *Aligned Advice remediation*

During the current year, the Group raised a provision for Aligned Advice remediation issues and program costs, including ongoing service fees charged where no service was provided. Aligned advisors are not employed by the Group but are representatives authorised to provide financial advice under the licences of the Group's subsidiaries, Financial Wisdom Limited, Count Financial Limited and Commonwealth Financial Planning Limited (Pathways only). As at 30 June 2019, the Group holds a provision of \$534 million in relation to Aligned Advice remediation. This includes \$251 million for customer fee refunds, \$123 million for interest on fees subject to refunds and \$160 million for costs to implement the remediation program.

The Group's estimate of the proportion of fees to be refunded is based on sample testing and assumes a refund rate of 24%. This compares to a refund rate of 22% which was paid for our salaried advisors. An increase/(decrease) in the failure rate by 1% would result in an increase/(decrease) in the provision of approximately \$15 million.

The Group is finalising its remediation approach in consultation with ASIC.

#### *Banking and other Wealth customer remediation*

During the year ended 30 June 2019, the Group recognised provisions of \$384 million for Banking and other Wealth Management customer remediation programs. The provision raised for banking remediation includes an estimate of refunds and interest to customers relating to business banking products, including bank guarantees, cash deposit accounts, merchants billing and certain commercial lending products. The wealth remediation provision includes an estimate of refunds and interest relating to advice quality, fees where no service was provided in the Commonwealth Financial Planning business, the Loan Protection Insurance product and certain other products.

#### **Litigation, investigations and reviews**

The Group is party to legal proceedings and the subject of investigations and reviews. These include the matters outlined below as at 30 June 2019. Provisions have been raised where indicated in line with the principles outlined in the accounting policy section of this note.

#### **Litigation**

##### **Shareholder class actions**

In October 2017 CBA was served with a shareholder class action proceeding filed in the Federal Court of Australia alleging breaches of CBA's continuous disclosure obligations and misleading and deceptive conduct in relation to the subject matter of the civil penalty proceedings brought by Australian Transaction Reports and Analysis Centre (AUSTRAC). The AUSTRAC proceedings concerned contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth). The resolution of the proceedings was approved by the Federal Court on 20 June 2018 with CBA paying a penalty of \$700 million and legal costs. In the shareholder class action, it is alleged that CBA shareholders who acquired an interest in CBA shares between 1 July 2015 and 3 August 2017 suffered loss caused by the alleged conduct.

## 7.1 Other provisions (continued)

### Litigation, investigations and reviews (continued)

#### Litigation (continued)

##### Shareholder class actions (continued)

On 29 June 2018 a similar second shareholder class action in relation to the subject matter of the AUSTRAC proceedings was served on CBA on behalf of certain CBA shareholders who acquired an interest in CBA shares between 16 June 2014 and 3 August 2017. On 10 July 2019, court orders were made confirming the two class action proceedings would continue, would be case managed together and proceed by way of one harmonised statement of claim.

It is currently not possible to determine the ultimate impact of these claims, if any, on the Group. The Group denies the allegations and continues to defend both claims. The Group has provided for legal costs expected to be incurred in the defence of the claims.

##### Superannuation class action

On 9 October 2018, a class action claim was filed against CBA and Colonial First State Investments Limited (CFSIL) in the Federal Court of Australia. The claim relates to investment in cash and deposit options (which are cash and deposit products prioritised by CBA) in Colonial First State FirstChoice Superannuation Trust and Commonwealth Essential Super. The main allegation is that members with these options in the funds received lower interest rates on them than they would have received had CFSIL put them in equivalent products with higher interest rates obtainable on the market. It is alleged that CBA was involved in CFSIL's breaches as trustee of the funds and CFSIL's breaches as Responsible Entity of the underlying managed investment schemes. Both CBA and CFSIL deny the allegations and filed a defence to the claim on 20 December 2018. The class action lawyers made further amendments to the claim filing an amended statement of claim on 16 April 2019. The amendments introduced additional allegations relating to another term deposit and a breach of trust in respect of adviser commissions, however the commissions claim is made against CFSIL only. CBA and CFSIL filed a defence to the amended claim on 7 June 2019 denying the new claims. It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for the legal costs expected to be incurred in the defence of the claim.

##### ASIC bank bill swap rate

On 21 June 2018 the Federal Court approved the agreement between CBA and the Australian Securities and Investment Commission (ASIC) to resolve the proceedings concerning alleged market manipulation and unconscionable conduct in respect of the bank bill market. Accordingly CBA has paid a civil penalty of \$5 million and a community benefit payment of \$15 million to Financial Literacy Australia. It also agreed to pay ASIC's costs of the investigation and legal costs. The Group provided for these costs in the prior period.

As part of the settlement CBA also entered into an Enforceable Undertaking with ASIC under which CBA undertook to engage an independent expert to assess changes it has made (and will make) to its policies, procedures, controls systems, training, guidance and framework for the monitoring and supervision of employees and trading in Prime Bank Bills and CBA's BBSW referenced product businesses. On 5 October 2018, CBA appointed EY as the independent expert. CBA provided its BBSW Program of remediation work to ASIC and EY on 21 December 2018. EY reviewed the BBSW Program and provided certain recommendations in their report dated 23 April 2019. CBA considered those recommendations with ASIC and EY and delivered its Final BBSW Program to ASIC and EY on 23 July 2019. EY are due to report on CBA's Final BBSW Program on 30 August 2019. The Group has provided for costs associated with implementation of the BBSW program.

#### Investigations and reviews

##### ASIC investigation

In September 2017, following the commencement of the civil proceedings against CBA by AUSTRAC, ASIC launched an investigation in relation to the Group's disclosure in respect of the matters the subject of the AUSTRAC proceedings. ASIC is also investigating, among other things, whether the officers and directors at CBA complied with other specific obligations under the Corporations Act 2001 (Cth). CBA continues to engage with ASIC in respect of the investigation and respond to requests made by ASIC. It is currently not possible to predict the ultimate impact of this investigation, if any, on the Group. The Group has provided for the legal costs expected to be incurred in relation to this investigation.

##### APRA's prudential inquiry into CBA

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the Inquiry) into the Group with the goal of identifying shortcomings in the governance, culture and accountability frameworks.

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

CBA has entered into an Enforceable Undertaking under which CBA's remedial action (Remedial Action Plan) in response to the Final Report would be agreed and monitored regularly by APRA. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan also provides a comprehensive assurance framework, with Promontory Australasia (Sydney) Pty Ltd (Promontory) having been appointed as the independent reviewer and which is required to report to APRA on the Group's progress against committed milestones every 3 months.

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## 7.1 Other provisions (continued)

### Litigation, investigations and reviews (continued)

#### Investigations and reviews (continued)

##### APRA's prudential inquiry into CBA (continued)

Promontory has submitted two reports in September 2018 and December 2018 which have also been released by CBA. Promontory has noted that the Remedial Action Plan program of work remains on track and CBA's commitment to implementing the Inquiry's recommendations in a timely and comprehensive way continued to be strong with all 156 milestones on schedule to be delivered by the due date. Promontory is providing APRA with quarterly progress reports, and CBA is committed to report publicly on its progress against the Remedial Action Plan twice a year. The Group has provided for costs associated with the implementation of the Remedial Action Plan.

##### The Royal Commission

The Royal Commission was established on 14 December 2017 and was authorised to inquire into misconduct by financial service entities (including CBA). Seven rounds of hearings into misconduct in the banking and financial services industry were held throughout 2018, covering a variety of topics including consumer and business lending, financial advice, superannuation, insurance and a policy round. The Royal Commission's final report was delivered on 1 February 2019. The final report included 76 policy recommendations to the Australian Government and findings in relation to the case studies investigated during the hearings, with a number of referrals being made to regulators for misconduct by financial institutions, which is expected to result in heightened levels of enforcement action across the industry.

The 76 recommendations covered many of CBA's business areas, and also canvassed the role of the regulators and the approach to be taken to customer focus, culture and remuneration. The recommendations regarding the role of regulators and their approach to enforcement may increase enforcement activity, costs and reputational impact for financial institutions. CBA released a statement to the ASX on 8 March 2019 welcoming the final report and committing to actions to deliver on the recommendations. The Government has accepted 75 of the 76 recommendations.

##### Ongoing service fees in Commonwealth Financial Planning

Following an ASIC investigation, Commonwealth Financial Planning (CFP) entered into an Enforceable Undertaking (EU) with ASIC in April 2018 and agreed to certain variations on 20 December 2018. Under the EU, as varied, CFP agreed, among other things, to provide an attestation to ASIC in relation to remediation of ongoing service over the period July 2015 to January 2018 and in relation to CFP's current ongoing service compliance systems and processes. Although CFP was not in a position to sign the attestation in January 2019, CFP provided the attestation to ASIC on 30 May 2019. ASIC has since confirmed that it is satisfied with the attestation and compliance with the obligations under the EU is now finalised (save for the payment of some remaining refunds due to customers by 30 September 2019).

CFP has not charged ongoing service fees since 1 February 2019, and has not entered into new ongoing service agreements since that date. CFP is moving to a new model where customers will pay for advice once they have received it.

##### Fair Work Ombudsman (FWO) Investigation

The FWO has commenced an investigation in relation to CBA's self-disclosure of discrepancies in employee arrangements and entitlements. CBA continues to engage with the FWO in respect of the investigation and respond to requests made by the FWO. It is currently not possible to predict the ultimate impact of this investigation, if any, on the Group.

##### New Zealand compliance audit findings

The Labour Inspectorate in New Zealand is undertaking a programme of compliance audits on a number of organisations in respect of the Holidays Act 2003 (the "Holidays Act"). On 18 December 2018 ASB Bank Limited (ASB) received the Labour Inspectorate's report of its findings on ASB's compliance with the Holidays Act. The findings, based on a sample of employees, include that ASB has not complied with the requirements of the Holidays Act by not including certain incentive payments in ASB's calculation of gross earnings under the Holidays Act. ASB's position in relation to that finding is that the application of the law is uncertain and yet to be definitively determined. That finding, if extrapolated to ASB's entire workforce, would result in an estimated liability of NZD31 million in total for the preceding six years' annual holiday payments. ASB will continue to engage with the Labour Inspectorate on the matter.

##### Enforceable Undertaking accepted by Office of Australian Information Commission

The Australian Information Commissioner (Commissioner) has accepted an Enforceable Undertaking (EU) offered by CBA. The EU underpins execution of further enhancements to the management and retention of customer personal information within CBA and certain subsidiaries.

The EU follows CBA's ongoing work to address two incidents: one relating to the disposal by a third party of magnetic data tapes containing historical customer statements and the other relating to potential unauthorised internal user access to certain systems and applications containing customer personal information. CBA reported both incidents to the Commissioner in 2016 and 2018 respectively and has since been working to address these incidents and respond to inquiries made by the Commissioner. CBA has found no evidence to date, as a result of these incidents, that our customers' personal information was compromised, or that there have been any instances of unauthorised access by CBA employees or third parties.

It is not currently possible to estimate the financial impact of the Group's response under the EU.



## 7.1 Other provisions (continued)

### Litigation, investigations and reviews (continued)

#### Investigations and reviews (continued)

##### Program of Action

The Group continues to strengthen its financial crime capabilities, and has invested significantly, recognising the crucial role that it plays, including through the Program of Action with coverage across all aspects of financial crime (including anti-money laundering/counter-terrorism financing, sanctions and anti-bribery and corruption) and all business units. The Group has provided for certain costs of running the Program of Action.

##### Remediation and Compliance Programs

The Group undertakes ongoing compliance activities, including review of products, advice, conduct and services provided to customers, as well as interest, fees and premiums charged.

Some of these investigations and reviews have resulted in remediation programs and where required the Group consults with the respective regulator on the proposed remediation action. There is a risk that where a breach has occurred, regulators may also impose fines and/or sanctions.

Provisions are recognised when it is probable an outflow will be required to address a past event and where a reliable estimate is available. There remains a contingent liability with respect to these matters, however the aggregate potential liability of the above matters cannot be reliably estimated.

##### Other matter

Financial Wisdom Limited, a subsidiary of the Group, has agreements pre-dating 2013, which provide authorised representatives with the ability to sell their client book to the subsidiary in certain circumstances contingent upon a number of key conditions being met. The agreements provide for the sale at a multiple of ongoing revenue subject to a range of criteria (including potential discount factors). The authorised representative must apply to commence the conditional sale process. No applications have been received to date. It is not currently possible to reliably estimate the financial impact of these agreements.

## 7.2 Bills payable and other liabilities

	Group <sup>(1)</sup>		Bank <sup>(1)</sup>	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Bills payable	756	931	664	827
Accrued interest payable	2,676	2,745	2,059	2,163
Accrued fees, employee incentives and other items payable <sup>(2) (3) (4)</sup>	2,390	3,194	1,906	2,523
Securities purchased not delivered	2,414	2,456	1,774	1,942
Unearned income <sup>(3) (5)</sup>	1,439	1,389	1,011	968
Other	610	910	1,626	1,722
<b>Total bills payable and other liabilities</b>	<b>10,285</b>	<b>11,625</b>	<b>9,040</b>	<b>10,145</b>

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

(2) The balance as at 30 June 2018 includes a payable for AUSTRAC civil penalty of \$700 million.

(3) Current period balances reflect the adoption of AASB 15 Revenue from Contracts with Customers' on 1 July 2018. As permitted by AASB 15 comparative information has not been restated. For details on adoption of AASB 15 refer to Note 1.1.

(4) Accrued fees payable as at 30 June 2019 include trail commissions payable of \$265 million for the Group.

(5) Unearned income includes annual facility fees, commitment fees and upfront fees that are deferred and recognised over the service periods. Of the unearned income recognised at the beginning of the period, the Group and the Bank has recognised \$177 million and \$174 million, respectively, as income for the period ended 30 June 2019.

## Accounting policies

Bills Payable and Other Liabilities include accrued interest payable, accrued incentives payable, accrued fees payable and unearned income. Bills Payable and Other Liabilities are measured at the contractual amount payable. As most payables are short-term in nature, the contractual amount payable approximates fair value.

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## 8. Our capital, equity and reserves

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### Overview

The Group maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors and adequate return to its shareholders. The Group's Shareholders' Equity includes issued ordinary shares, retained earnings and reserves.

This section provides analysis of the Group's Shareholders' Equity including changes during the period.

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### 8.1 Capital adequacy

The Bank is an Authorised Deposit-taking Institution (ADI) regulated by APRA under the authority of the Banking Act 1959. APRA has set minimum regulatory capital requirements for banks based on the Basel Committee on Banking Supervision (BCBS) guidelines.

The Basel III measurement and monitoring of capital has been effective from 1 January 2013. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and also adopted an accelerated timetable for implementation. The requirements define what is acceptable as capital and provide methods of measuring the risks incurred by the Bank.

The regulatory capital requirements are measured for the Extended Licenced Entity Group (known as "Level 1", comprising the Bank and APRA approved subsidiaries) and for the Bank and all of its banking subsidiaries, which includes ASB Bank (known as "Level 2" or the "Group").

All entities which are consolidated for accounting purposes are included within the Group capital adequacy calculations except for:

- The insurance and funds management operating subsidiaries; and
- The entities through which securitisation of Group assets are conducted.

Regulatory capital is divided into Common Equity Tier 1 (CET1), Additional Tier 1 Capital and Tier 2 Capital. CET1 primarily consists of Shareholders' Equity, less goodwill and other prescribed adjustments. Additional Tier 1 Capital is comprised of high quality capital providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors and provides for fully

discretionary capital distributions. Tier 1 capital is the aggregate of CET1 and Additional Tier 1 capital. Tier 2 Capital is hybrid and debt instruments that fall short of necessary conditions to qualify as Additional Tier 1 to APRA. Total Capital is the aggregate of Tier 1 and Tier 2 Capital.

The tangible component of the investment in the insurance and funds management operations are deducted 100% from CET1.

Capital adequacy is measured by means of risk based capital ratios. The capital ratios reflect capital (CET1, Additional Tier 1, Tier 2 and Total Capital) as a percentage of total Risk Weighted Assets (RWA). RWA represents an allocation of risks associated with the Group's assets and other related exposures.

The Group has a range of instruments and methodologies available to effectively manage capital. These include share issues and buybacks, dividend and DRP policies, hybrid capital raising and dated and undated subordinated loan capital issuances. All major capital related initiatives require approval of the Board.

The Group's capital position is monitored on a continuous basis and reported monthly to the Executive Leadership Team and at regular intervals throughout the year to the Board.

The Group's capital ratios throughout the 2017, 2018 and 2019 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board approved minimums. The Group is required to inform APRA immediately of any breach or potential breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken.

## 8.2 Loan capital

				Group		Bank	
	Currency Amount (M)	Endnotes		30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Tier 1 Loan Capital</b>							
Undated	FRN	USD 100	(1)	143	135	143	135
Undated	PERLS VI	AUD 2,000	(2)	-	1,999	-	1,999
Undated	PERLS VII	AUD 3,000	(3)	2,985	2,978	2,985	2,978
Undated	PERLS VIII	AUD 1,450	(3)	1,441	1,436	1,441	1,436
Undated	PERLS IX	AUD 1,640	(3)	1,628	1,622	1,628	1,622
Undated	PERLS X	AUD 1,365	(3)	1,356	1,356	1,352	1,352
Undated	PERLS XI	AUD 1,590	(3)	1,580	-	1,576	-
<b>Total Tier 1 Loan Capital</b>				<b>9,133</b>	<b>9,526</b>	<b>9,125</b>	<b>9,522</b>
<b>Tier 2 Loan Capital</b>							
AUD denominated			(4)	1,774	1,773	1,774	1,773
USD denominated			(5)	4,616	4,380	4,616	4,380
JPY denominated			(6)	968	896	968	896
GBP denominated			(7)	-	266	-	266
NZD denominated			(8)	379	729	-	-
EUR denominated			(9)	5,259	5,107	5,259	5,107
Other currencies denominated			(10)	318	309	318	309
<b>Total Tier 2 Loan Capital</b>				<b>13,314</b>	<b>13,460</b>	<b>12,935</b>	<b>12,731</b>
Fair value hedge adjustments				519	6	509	(4)
<b>Total Loan Capital <sup>(1)</sup></b>				<b>22,966</b>	<b>22,992</b>	<b>22,569</b>	<b>22,249</b>

(1) Loan Capital includes unrealised movements of \$220 million in 2019 predominantly due to foreign exchange gains and losses.

As at 30 June 2019, \$1,604 million of securities issued by the Group and \$1,620 million of securities issued by the Bank were contractually due for redemption in the next 12 months (the Group has the right to call some securities earlier than the contractual maturity).

### <sup>(1)</sup> USD100 million Floating Rate Notes

On 15 October 1986, the State Bank of Victoria issued USD125 million of floating rate notes, the current outstanding balance is USD100 million. The floating rate notes are perpetual but were able to be redeemed from October 1991. They were assigned to the Bank on 1 January 1991.

The Bank entered into an agreement with the Commonwealth of Australia on 31 December 1991 which provides that, if certain events occur, the Bank may either issue CBA ordinary shares to the Commonwealth of Australia, or (with the consent of the Commonwealth of Australia) conduct a renounceable rights issue for CBA ordinary shares to all shareholders. The capital raised must be used to pay any amounts due and payable on the floating rate notes.

The floating rate notes were issued into the international markets and are subject to English law. They qualify as Additional Tier 1 Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA.

### <sup>(2)</sup> PERLS VI

On 17 October 2012, the Bank issued \$2,000 million of Perpetual Exchangeable Resaleable Listed Securities (PERLS VI). All PERLS VI were redeemed for cash on 17 December 2018.

### <sup>(3)</sup> PERLS VII, PERLS VIII, PERLS IX, PERLS X and PERLS XI

On 1 October 2014, the Bank issued \$3,000 million of CommBank PERLS VII Capital Notes (PERLS VII). On 30 March 2016, the Bank issued \$1,450 million of CommBank PERLS VIII Capital Notes (PERLS VIII). On 31 March 2017, the Bank issued \$1,640 million of CommBank PERLS IX Capital Notes (PERLS IX). On 6 April 2018, the Bank issued \$1,365 million of CommBank PERLS X Capital Notes (PERLS X). On 17 December 2018, the Bank issued \$1,590 million of CommBank PERLS XI Capital Notes (PERLS XI). PERLS VII, PERLS VIII, PERLS IX, PERLS X and PERLS XI are subordinated, unsecured notes.

PERLS VII, PERLS VIII, PERLS IX, PERLS X and PERLS XI are listed on the ASX and are subject to New South Wales law. They qualify as Additional Tier 1 Capital of the Bank under Basel III as implemented by APRA.

## 8.2 Loan Capital (continued)

### **(4) AUD denominated Tier 2 loan capital issuances**

- \$25 million subordinated floating rate notes, issued April 1999, due April 2029;
- \$1,000 million subordinated notes issued November 2014, due November 2024; and
- \$750 million subordinated notes issued June 2016, due June 2026.

### **(5) USD denominated Tier 2 loan capital issuances**

- USD1,250 million subordinated notes issued December 2015, due December 2025;
- USD750 million subordinated Euro Medium Term Notes (EMTN) issued October 2016, due October 2026; and
- USD 1,250 million subordinated notes issued January 2018, due in January 2048.

### **(6) JPY denominated Tier 2 loan capital issuances**

- JPY20 billion perpetual subordinated EMTN, issued February 1999;
- JPY40 billion subordinated EMTNs issued December 2016 (three tranches JPY20 billion, JPY10 billion and JPY10 billion), due December 2026; and
- JPY13.3 billion subordinated EMTN issued March 2017, due March 2027.

### **(7) GBP denominated Tier 2 loan capital issuances**

- GBP150 million subordinated EMTN, issued June 2003, and redeemed in December 2018.

### **(8) NZD denominated Tier 2 loan capital issuances**

- NZD400 million subordinated, unsecured notes, issued April 2014, and redeemed in June 2019:  
On 17 April 2014, a wholly owned entity of the Bank (ASB Bank Limited) issued NZD400 million subordinated, unsecured notes (ASB Notes) with a face value of NZD1 each. All ASB Notes were redeemed for cash on 17 June 2019; and
- NZD400 million subordinated, unsecured notes, issued November 2016, due December 2026:  
On 30 November 2016, ASB Bank Limited issued NZD400 million subordinated, unsecured notes (ASB Notes 2) with a face value of NZD1 each.

ASB Notes 2 are listed on the New Zealand Stock Exchange (NZX) debt market and are subject to New South Wales and New Zealand law. They qualify as Tier 2 Capital of the Bank and ASB under Basel III as implemented by APRA and the RBNZ.

### **(9) EUR denominated Tier 2 loan capital issuances**

- EUR1,000 million subordinated notes, issued August 2009, due August 2019;
- EUR1,250 million subordinated notes issued April 2015, due April 2027; and
- EUR 1,000 million subordinated EMTN, issued October 2017, due October 2029.

### **(10) Other foreign currency denominated Tier 2 loan capital issuances**

- CNY1,000 million subordinated notes issued March 2015, due March 2025; and
- HKD608 million subordinated EMTN issued March 2017, due March 2027.

All Tier 2 Capital securities issued prior to 1 January 2013 qualify as Tier 2 Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA. All Tier 2 Capital securities issued after 1 January 2013 qualify as Tier 2 Capital of the Bank under Basel III as implemented by APRA.

PERLS VII, PERLS VIII, PERLS IX, PERLS X and PERLS XI, and all Tier 2 Capital securities issued after 1 January 2013, are subject to Basel III, under which these securities must be exchanged for a variable number of CBA ordinary shares or written down if a capital trigger event (PERLS VII, PERLS VIII, PERLS IX, PERLS X and PERLS XI only) or a non-viability trigger event (all securities) occurs. Any exchange will occur as described in the terms of the applicable instrument documentation.

## Accounting policies

Loan capital are instruments issued by the Group, which qualify as regulatory capital under the Prudential Standards set by the Australian Prudential Regulation Authority (APRA) and the Reserve Bank of New Zealand (RBNZ). Loan capital is initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Interest expense incurred is recognised in Net Interest Income.

## 8.3 Shareholders' equity

	Group		Bank	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Ordinary Share Capital</b>				
Shares on issue:				
Opening balance	37,535	35,266	37,533	35,262
Issue of shares (net of issue costs) <sup>(1)</sup>	-	164	-	164
Dividend reinvestment plan (net of issue costs) <sup>(2) (3)</sup>	748	2,105	748	2,107
	38,283	37,535	38,281	37,533
Less treasury shares:				
Opening balance	(265)	(295)	-	-
Purchase of treasury shares <sup>(4)</sup>	(93)	(95)	(69)	-
Sale and vesting of treasury shares <sup>(4)</sup>	95	125	-	-
	(263)	(265)	(69)	-
<b>Closing balance</b>	<b>38,020</b>	<b>37,270</b>	<b>38,212</b>	<b>37,533</b>

(1) During the year ended 30 June 2018, shares issued relate to the acquisition of the remaining 20% interest in AHL Holding Pty Limited.

(2) The determined dividend includes an amount attributable to the dividend reinvestment plan of \$749 million (final 2017/2018), \$536 million (interim 2017/2018) and \$1,573 million (final 2016/2017). The value of shares issued under plans rules net of issue costs for the respective periods was \$748 million, \$533 million and \$1,572 million.

(3) The DRP in respect of 2018/2019 interim dividend was satisfied in full through the on-market purchase and transfer of 8,080,558 shares to participating shareholders.

(4) The movement in treasury shares relate to amounts held within life insurance statutory funds, and 1,178,102 shares acquired at an average price of \$69.95 for satisfying the Company's obligations under various equity settled share plans. Other than shares purchased as part of the Non-Executive Director fee sacrifice arrangements disclosed in Note 10.3, shares purchased were not on behalf of or initially allocated to a director.

	Group		Bank	
	30 Jun 19 Shares	30 Jun 18 Shares	30 Jun 19 Shares	30 Jun 18 Shares
<b>Number of shares on issue</b>				
Opening balance (excluding treasury shares deduction)	1,759,842,930	1,729,868,161	1,759,842,930	1,729,868,161
Issue of shares <sup>(1)</sup>	-	2,087,604	-	2,087,604
Dividend reinvestment plan issues:				
2016/2017 Final dividend fully paid ordinary shares \$75.73	-	20,772,433	-	20,772,433
2017/2018 Interim dividend fully paid ordinary shares \$75.38	-	7,114,732	-	7,114,732
2017/2018 Final dividend fully paid ordinary shares \$72.05	10,396,577	-	10,396,577	-
2018/2019 Interim dividend fully paid ordinary shares \$73.21 <sup>(2)</sup>	-	-	-	-
Closing balance (excluding treasury shares deduction)	1,770,239,507	1,759,842,930	1,770,239,507	1,759,842,930
Less: treasury shares <sup>(3) (4)</sup>	(2,508,628)	(3,489,325)	-	-
<b>Closing balance</b>	<b>1,767,730,879</b>	<b>1,756,353,605</b>	<b>1,770,239,507</b>	<b>1,759,842,930</b>

(1) During the year ended 30 June 2018, the number of shares issued relates to the acquisition of the remaining 20% interest in AHL Holdings Pty Limited.

(2) The DRP in respect of 2018/2019 interim dividend was satisfied in full through the on-market purchase and transfer of 8,080,558 shares at \$73.21 to participating shareholders.

(3) Comparative information has been restated to conform to presentation in the current year.

(4) Relates to treasury shares held within the life insurance statutory funds and the employees share scheme.

Ordinary shares have no par value and the Company does not have a limited amount of share capital.

Ordinary shares entitle holders to receive dividends payable to ordinary shareholders and to participate in the proceeds available to ordinary shareholders on winding up of the Company in proportion to the number of fully paid ordinary shares held.

On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll one vote for each share held.

## 8.3 Shareholders' equity (continued)

	Group		Bank	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Retained Profits</b>				
Opening balance	28,360	26,274	23,819	22,256
Changes on adoption of new accounting standards <sup>(1)</sup>	(955)	-	(868)	-
Restated opening balance	27,405	26,274	22,951	22,256
Actuarial (losses)/gains from defined benefit superannuation plans	(49)	161	(50)	159
Losses on liabilities at fair value due to changes in own credit risk	-	(2)	-	(2)
Realised gains and dividend income on treasury shares	12	16	-	-
Net profit attributable to Equity holders of the Bank	8,571	9,329	7,783	8,875
Total available for appropriation	35,939	35,778	30,684	31,288
Transfers from/(to) general reserve	126	47	(2)	(4)
Transfers from asset revaluation reserve	23	19	23	19
Interim dividend - cash component	(2,949)	(2,969)	(2,949)	(2,969)
Interim dividend - Dividend reinvestment plan <sup>(2) (3)</sup>	(592)	(536)	(592)	(536)
Final dividend - cash component	(3,316)	(2,406)	(3,316)	(2,406)
Final dividend - Dividend reinvestment plan <sup>(3)</sup>	(749)	(1,573)	(749)	(1,573)
<b>Closing balance</b>	<b>28,482</b>	<b>28,360</b>	<b>23,099</b>	<b>23,819</b>

(1) The Group adopted AASB 9 'Financial Instruments' and AASB 15 'Revenue' on 1 July 2018. The carrying amounts of assets and liabilities impacted by the adoption were adjusted through opening retained profits and reserves on 1 July 2018 as if the Group has always applied the new requirements. As permitted by AASB 9 and AASB 15, comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15 refer to Note 1.1.

(2) The DRP in respect of 2018/2019 interim dividend was satisfied in full through the on-market purchase and transfer of 8,080,558 shares to participating shareholders.

(3) The determined dividend includes an amount attributable to the dividend reinvestment plan of \$749 million (final 2017/2018), \$536 million (interim 2017/2018), and \$1,573 million (final 2016/2017). The value of shares issued under plans rules net of issue costs for the respective periods was \$748 million, \$533 million, and \$1,572 million.

## 8.3 Shareholders' equity (continued)

	Group		Bank	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Reserves</b>				
<b>General Reserve</b>				
Opening balance	859	906	584	580
Transfer (to)/from retained profits	(126)	(47)	2	4
Closing balance	733	859	586	584
<b>Capital Reserve</b>				
Opening balance	-	-	1,254	1,254
Closing balance	-	-	1,254	1,254
<b>Asset Revaluation Reserve</b>				
Opening balance	235	223	206	196
Revaluation of properties	38	35	37	33
Transfer to retained profits	(23)	(19)	(23)	(19)
Income tax effect	(4)	(4)	(4)	(4)
Closing balance	246	235	216	206
<b>Foreign Currency Translation Reserve</b>				
Opening balance	448	457	88	35
Currency translation adjustments of foreign operations	491	(9)	233	39
Currency translation on net investment hedge	(20)	15	(19)	14
Income tax effect	(7)	(15)	-	-
Closing balance	912	448	302	88
<b>Cash Flow Hedge Reserve</b>				
Opening balance	(160)	(107)	70	66
Gains/(losses) on cash flow hedging instruments:				
Recognised in other comprehensive income	1,087	(260)	1,356	6
Transferred to Income Statement:				
Interest income	(630)	(960)	(674)	(975)
Interest expense	898	1,160	746	985
Income tax effect	(408)	7	(425)	(12)
Closing balance	787	(160)	1,073	70
<b>Employee Compensation Reserve</b>				
Opening balance	145	164	139	164
Current period movement	16	(19)	22	(25)
Closing balance	161	145	161	139



## 8.3 Shareholders' equity (continued)

	Group		Bank	
	30 Jun 19	30 Jun 18	30 Jun 19	30 Jun 18
	\$M	\$M	\$M	\$M
<b>Investment Securities Revaluation Reserve</b>				
Opening balance	-	-	-	-
Change on adoption of AASB 9 <sup>(1)</sup>	149	-	227	-
<b>Restated opening balance</b>	149	-	227	-
Net gains on revaluation of investment securities	140	-	18	-
Net gains on investment securities transferred to Income Statement on disposal	(42)	-	(42)	-
Income tax effect	6	-	18	-
<b>Closing balance</b>	253	-	221	-
<b>Available-for-sale Investments Reserve</b>				
Opening balance	149	226	227	261
Change on adoption of AASB 9 <sup>(1)</sup>	(149)	-	(227)	-
<b>Restated opening balance</b>	-	226	-	261
Net losses on revaluation of available-for-sale investments	-	(185)	-	(135)
Net losses on available-for-sale investments transferred to Income Statement on disposal	-	87	-	87
Income tax effect	-	21	-	14
<b>Closing balance</b>	-	149	-	227
<b>Total Reserves</b>	3,092	1,676	3,813	2,568
<b>Shareholders' Equity attributable to Equity holders of the Bank</b>	69,594	67,306	65,124	63,920
<b>Shareholders' Equity attributable to Non-controlling interests</b>	55	554	-	-
<b>Total Shareholders' Equity</b>	69,649	67,860	65,124	63,920

(1) The Group and the Bank adopted AASB 9 'Financial Instruments' on 1 July 2018. The carrying amounts of assets and liabilities impacted by the adoption were adjusted through opening retained profits and reserves on 1 July 2018 as if the Group and the Bank have always applied the new requirements. As permitted by AASB 9, comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1.

## 8.3 Shareholders' equity (continued)

### Accounting policies

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Shareholders' equity includes ordinary share capital, retained profits and reserves. Policies for each component are set out below:

#### Ordinary share capital

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs. Where the Bank or entities within the Group purchase shares in the Bank, the consideration paid is deducted from total Shareholders' equity and the shares are treated as treasury shares until they are subsequently sold, reissued or cancelled. Where such shares are sold or reissued, any consideration received is included in Shareholders' Equity.

#### Retained profits

Retained profits includes the accumulated profits for the Group including certain amounts recognised directly in retained profits less dividends paid.

#### Reserves

##### General Reserve

The general reserve is derived from revenue profits and is available for dividend payments except for undistributable profits in respect of the Group's life insurance business.

##### Capital reserve

The capital reserve held by the Bank relates to historic internal Group restructuring performed at fair value. The capital reserve is eliminated on consolidation.

##### Asset revaluation reserve

The asset revaluation reserve is used to record revaluation adjustments on the Group's property assets. Where an asset is sold or disposed of, any balance in the reserve in relation to the asset is transferred directly to retained profits.

##### Foreign currency translation reserve

Exchange differences arising on translation of the Group's foreign operations are accumulated in the foreign currency translation reserve. Specifically assets and liabilities are translated at the prevailing exchange rate at Balance Sheet date; revenue and expenses are translated at the transaction date; and all resulting exchange differences are recognised in the foreign currency translation reserve.

When a foreign operation is disposed of, exchange differences are recycled out of the reserve and recognised in the Income Statement.

##### Cash flow hedge reserve

The cash flow hedge reserve is used to record fair value gains or losses associated with the effective portion of designated cash flow hedging instruments. Amounts are reclassified to the Income Statement when the hedged transaction impacts profit or loss.

##### Employee compensation reserve

The employee compensation reserve is used to recognise the fair value of shares and other equity instruments issued to employees under the employee share plans and bonus schemes.

##### Investment securities revaluation reserve

The investment securities revaluation reserve includes changes in the fair value of investment securities measured at fair value through other comprehensive income. For debt securities, these changes are reclassified to the Income Statement when the asset is derecognised. For equity securities, these changes are not reclassified to the Income Statement when derecognised.

## 8.4 Dividends

		Group			Bank	
	Note	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Ordinary Shares</b>						
Interim ordinary dividend (fully franked) (2019: 200 cents; 2018: 200 cents; 2017: 199 cents)						
Interim ordinary dividend paid - cash component only		2,949	2,969	2,871	2,949	2,969
Interim ordinary dividend paid - Dividend Reinvestment Plan <sup>(1)</sup>		592	536	558	592	536
<b>Total dividend paid</b>		<b>3,541</b>	3,505	3,429	<b>3,541</b>	3,505
Other provision carried		119	113	100	119	113
Dividend proposed and not recognised as a liability (fully franked) (2019: 231 cents; 2018: 231 cents; 2017: 230 cents) <sup>(2)</sup>		4,089	4,065	3,979	4,089	4,065
<b>Provision for dividends</b>						
Opening balance		113	100	90	113	100
Provision made during the year		7,606	7,484	7,237	7,606	7,484
Provision used during the year		(7,600)	(7,471)	(7,227)	(7,600)	(7,471)
<b>Closing balance</b>	7.1	<b>119</b>	113	100	<b>119</b>	113

(1) The DRP in respect of the 2018/2019 interim dividend was satisfied in full through the on-market purchase and transfer of 8,080,558 shares to participating shareholders.

(2) The 2019 final dividend will be satisfied by cash disbursements with the Dividend Reinvestment Plan (DRP) anticipated to be satisfied in full through an on-market purchase of shares. The 2018 final dividend was satisfied by cash disbursements of \$3,316 million and \$749 million being reinvested by the participants through the DRP. The 2017 final dividend was satisfied by cash disbursements of \$2,406 million and \$1,573 million being reinvested by the participants through the DRP.

### Final dividend

The Directors have declared a franked final dividend of 231 cents per share amounting to \$4,089 million. The dividend will be payable on 26 September 2019 to shareholders on the register at 5pm AEST on 15 August 2019. The ex-dividend date is 14 August 2019.

The Board determines the dividends based on the Group's net profit after tax ("cash basis") per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Capital needs to support economic, regulatory and credit ratings requirements;
- Investments and/or divestments to support business development;
- Competitors comparison and market expectations; and
- Earnings per share growth.

### Dividend franking account

After fully franking the final dividend to be paid for the year, the amount of credits available at the 30% tax rate as at 30 June 2019 to frank dividends for subsequent financial years, is \$1,190 million (2018: \$1,464 million). This figure is based on the franking accounts of the Bank at 30 June 2019, adjusted for franking credits that will arise from the payment of income tax payable on profits for the year, franking debits that will arise from the payment of dividends proposed, and franking credits that the Bank may be prevented from distributing in subsequent financial periods.

The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 30 June 2019.

## 8.4 Dividends (continued)

### Dividend history

Half year ended	Cents Per Share	Payment Date	Half-year Payout Ratio <sup>(1)</sup> %	Full Year Payout Ratio <sup>(1)</sup> %	DRP Price \$	DRP Participation Rate <sup>(2)</sup> %
31 December 2016	199	04/04/2017	70.1	-	83.21	16.3
30 June 2017	230	29/09/2017	79.0	74.6	75.73	39.5
31 December 2017	200	28/03/2018	71.4	-	75.38	15.3
30 June 2018	231	28/09/2018	91.9	81.2	72.05	18.4
31 December 2018	200	28/03/2019	77.0	-	73.21	16.7
30 June 2019	231	26/09/2019	103.0	89.0	-	-

(1) Dividend Payout Ratio: dividends divided by statutory earnings (earnings are net of dividends on other equity instruments).

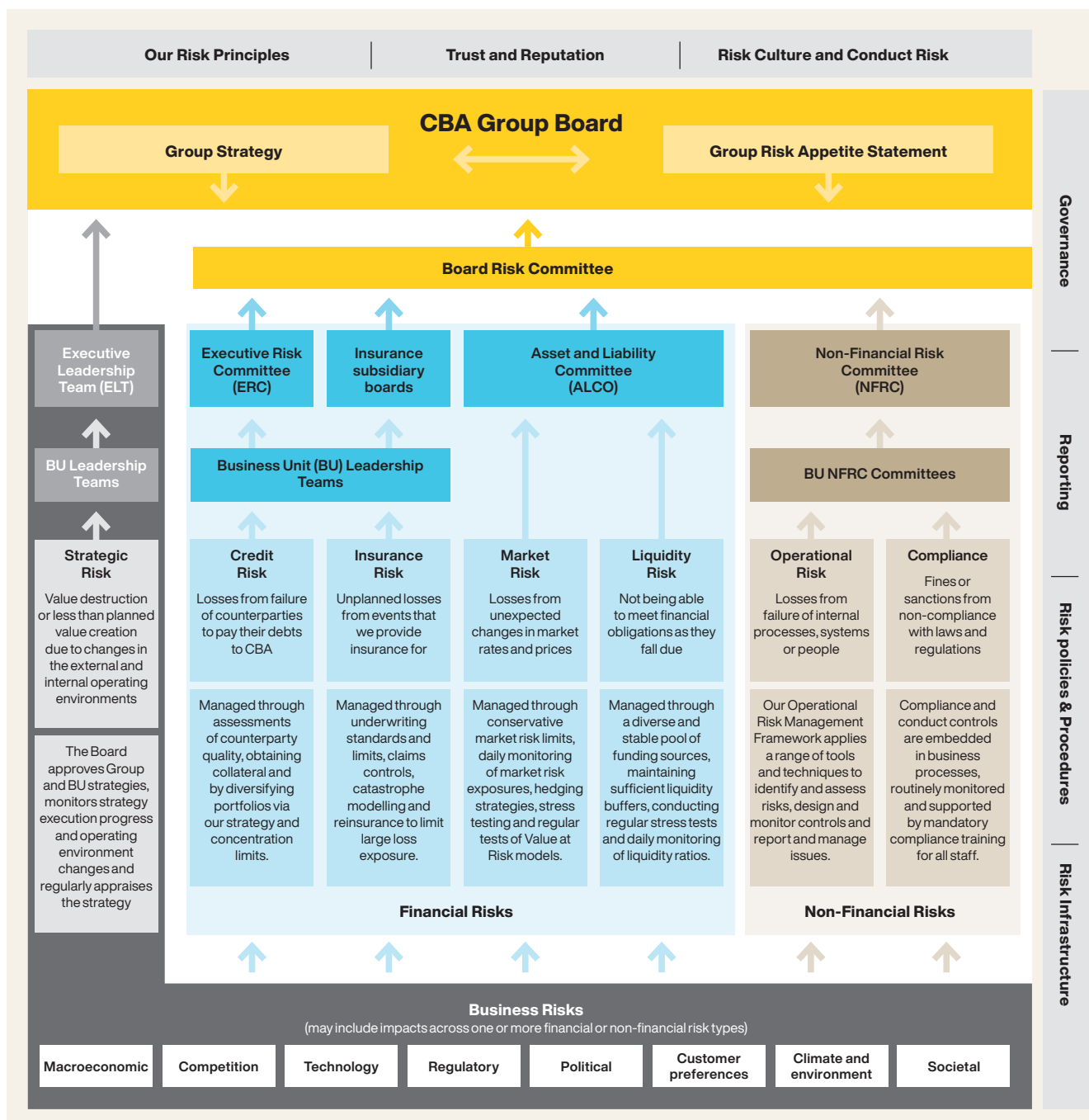
(2) DRP Participation Rate: the percentage of total issued share capital participating in the DRP.

## Accounting policies

Dividends represent a distribution of profits that holders of ordinary shares receive from time to time. Dividends are not accrued as a liability until a dividend declaration is made by the Board of the Bank. The liability is reduced when the dividend is paid. The Board takes into consideration factors including the Group's relative capital strength and the Group's existing dividend payout ratio guidelines in determining the amount of dividends to be paid.

## 9. Risk management

The Group is exposed to business, financial and non-financial risks arising from its operations. The Group manages these risks through its Risk Management Framework (Framework) that evolves with emerging risks arising from the changing business environment, better practice approaches, and regulatory and community expectations. The components of the Framework are illustrated below, including the governance that enables executive and Board oversight of these risks.



Further details on each of the material risks, and how the Group manages them are outlined in this note.

## 9.1 Risk management framework

The Group's embedded Framework enables the appropriate development and implementation of strategies, policies and procedures to manage its risks. The Framework incorporates the requirements of APRA's prudential standard for risk management (CPS 220) supported by the three key documentary components:

- The Group Risk Appetite Statement (RAS) articulates the type and degree of risk the Board is prepared to accept and the maximum level of risk that the institution must operate within.
- The Group Risk Management Approach (RMA) describes how the Group ensures the comprehensive management of risks across the Group in support of achieving its strategic goals.
- The Group Business Plan (Plan) summarises the Group's approach to the implementation of its strategic objectives. The Plan has a rolling three year duration and reflects material risks arising from its implementation.

The Framework is underpinned by key foundational components, in particular:

### Risk culture and conduct risk

Risk culture is the beliefs, values and practices within the organisation that determine how risks are identified, measured, governed, and acted upon. A strong risk culture guides our actions in a resilient and flexible way when we need to react and make sound judgements in new and unfamiliar circumstances. The organisation's culture influences employee behaviours and has the potential to lead to poor conduct. The Board's RAS in relation to conduct requires business practices that are fair to our customers, protects the fair and efficient operation of the market and engender confidence in our products and services. The Group's risk culture emphasises doing what is right, accountability, service, excellence and getting things done the right way. Annually the CBA Board forms a view regarding the effectiveness of the Group's risk culture in keeping risk taking within appetite. Action plans are initiated and monitored to drive positive risk culture changes in areas of need.

### Trust and reputation

The reputation of the Group and trust of stakeholders are significant assets. Damage to the Group's reputation arises from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant stakeholders of the Group. The Group's purpose and values combined with the organisational culture and our conduct as an organisation and as individuals form the framework which protects this asset. Potential adverse reputational impacts are mitigated by managing our material risks well, living by our Code of Conduct and actively focusing on transparency in business decisions and engagement with our customers. In addition the Group has a corporate responsibility plan focused on driving positive change through education, innovation and good business practice.

The four key elements that operationalise the Framework are:

### Risk governance

The Group is committed to ensuring that its risk management practices reflect a high standard of governance. This enables Management to undertake, in an effective manner, prudent risk-taking activities. The Board operates as the highest level of the Group's risk governance as specified in its Charter. The Risk Committee oversees the Framework and helps formulate the Group's risk appetite for consideration by the Board. In particular it:

- Monitors the Group's risk profile (including identification of emerging risks);

- Reviews regular reports from Management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal controls systems;
- Forms a view on the independence of the risk function by meeting with the Group Chief Risk Officer (CRO) at the will of the Committee or the CRO.

The Group operates a Three Lines of Accountability (3LoA) model which places accountability for risk ownership with Line 1 Business Units (BUs) while focussing the mandate of Line 2 Risk Teams on appetite and framework, oversight, assurance, approval or acceptance of risk and advice. Line 3 Audit provides independent assurance to the Board, regulators and other stakeholders of the effectiveness of risk management, internal controls and governance. This model recognises that the business is best positioned to make optimal long-term risk-reward decisions that consider the full end-to-end value chain.

### Risk policies & procedures

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

- Summarising the principles and practices to be used by the Group in identifying and assessing its material risks;
- Quantifying the financial operating tolerances for material risks; and
- Clearly stating the types of risk outcomes to which the Group is intolerant.

### Risk reporting

Regular management information is produced which allows financial and non-financial risk positions to be monitored against approved Risk Appetite and policy limits. At Board level, the majority of risk reporting is provided to the Board Risk Committee but regulatory relationships, strategic risk and reputational matters, capital and liquidity risk are reported directly. Controls reporting is provided to the Audit Committee. The Chairs of the Board Risk and Audit Committees report to the Board post Committee meetings.

### Risk management infrastructure

The Framework is supported by key infrastructure systems and processes for the management of the Group's material risk types. The key risk management systems and processes in place include:

- Established risk identification and assessment processes;
- Risk controls and mitigation plans;
- A Management Information System to measure and aggregate risks across the Group;
- Risk models and tools;
- A Risk-Adjusted-Performance Measurement (RAPM) process that is a means of assessing the performance of a business after adjustment for its capital consumption and is used as a basis for executive incentives; and
- An Internal Capital Adequacy Assessment Process (ICAAP) used in combination with other risk management practices (including stress testing), to understand, manage and quantify the Group's risks; the outcomes of which are used to inform risk decisions, set capital buffers and assist strategic planning.

## 9.1 Risk management framework (continued)

### Material risk types

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
<b>Credit Risk</b>	Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Group. At a portfolio level, credit risk includes concentration risk arising from interdependencies between customers, and concentrations of exposures to geographical regions and industry sectors.	<b>Governing Policies:</b> <ul style="list-style-type: none"> <li>Group Credit Risk Principles, Framework and Governance</li> <li>Group and Business Unit Credit Risk Policies</li> </ul> <b>Key Management Committee:</b> <ul style="list-style-type: none"> <li>Executive Risk Committee</li> <li>Loan Loss Provisioning Committee</li> </ul>	<p>The following credit concentration frameworks set credit portfolio concentration limits:</p> <ul style="list-style-type: none"> <li>Large Credit Exposure Policy;</li> <li>Country Risk Exposure Policy; and</li> <li>Industry Sector Concentration Policy.</li> </ul> <p>Credit risk indicators with associated intervention levels are set in the Group RAS for corporate and retail exposures and cascaded to BUs. Group and BU Credit Risk Policies cover the credit risk exposure cycle.</p> <p>The measurement of credit risk is primarily based on the APRA accredited Advanced Internal Ratings Based (AIRB) approach.</p>
<b>Market Risk (including Equity Risk)</b>	Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or net worth of the Group. This includes changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, and the resale value of operating leased assets at maturity (lease residual value risk).	<b>Governing Policies:</b> <ul style="list-style-type: none"> <li>The Group Market Risk Policy</li> </ul> <b>Key Management Committee:</b> <ul style="list-style-type: none"> <li>Asset and Liability Committee</li> </ul>	<p>The Group Market Risk Policy sets limits and standards with respect to the following:</p> <ul style="list-style-type: none"> <li>Traded Market Risk;</li> <li>Interest Rate Risk in the Banking Book (IRRBB);</li> <li>Residual Value Risk;</li> <li>Non-traded Equity Risk; and</li> <li>Market Risk in Insurance Businesses.</li> </ul> <p>The respective measurement approaches for these risks include:</p> <ul style="list-style-type: none"> <li>Value at Risk, Stress Testing;</li> <li>Market Value Sensitivity, Net Interest Earnings at Risk;</li> <li>Aggregate Residual Value Risk Margin;</li> <li>Aggregate Portfolio Limit; and</li> <li>Value at Risk.</li> </ul>
<b>Liquidity and Funding Risk</b>	Liquidity risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk), and that liquidity in financial markets, such as the market for debt securities, may reduce significantly (market liquidity risk).	<b>Governing Policies:</b> <ul style="list-style-type: none"> <li>Group Liquidity Risk Management Policy</li> </ul> <b>Key Management Committee:</b> <ul style="list-style-type: none"> <li>Asset and Liability Committee</li> </ul>	<p>The Group Liquidity Policy sets limits and standards with respect to the following:</p> <ul style="list-style-type: none"> <li>The Liquidity Coverage Ratio, which sets minimum levels for liquid assets;</li> <li>The Net Stable Funding Ratio, which encourages stable funding of core assets;</li> <li>Market and idiosyncratic stress test scenarios; and</li> <li>Limits that set tolerances for the sources and tenor of funding.</li> </ul> <p>The measurement of liquidity risk uses scenario analysis, covering both adverse and ordinary operating circumstances.</p>
<b>Operational Risk</b>	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	<b>Governing Policies:</b> <ul style="list-style-type: none"> <li>Operational Risk Management Framework (ORMF)</li> <li>Operational Risk Policies and Standards</li> </ul> <b>Key Management Committee:</b> <ul style="list-style-type: none"> <li>Executive Leadership Team Non- Financial Risk Committee.</li> </ul>	<p>A range of Operational Risk indicators are included in the Group Risk Appetite Statement (RAS).</p> <p>The measurement of operational risk capital is based on an APRA accredited Advanced Measurement Approach. The approach combines internal and external loss experience and business judgements captured through Scenario Analysis.</p>
<b>Compliance Risk</b>	<p>Compliance risk is the risk of sanctions, financial loss, or reputational damage we may suffer as a result of the Group's failure to comply with laws, regulations, rules, statements of regulatory policy, and codes of conduct applicable to its business activities (not including operational risk failures) and includes societal expectations.</p> <p>Financial crime represents a sub-component of Compliance Risk and covers risks including Anti Money Laundering, Counter Terrorism Financing, Anti-Bribery and Corruption, and Sanctions.</p>	<b>Governing Policies:</b> <ul style="list-style-type: none"> <li>Group Compliance Management Framework (CMF)</li> <li>Group and Business Unit Compliance Policies</li> </ul> <b>Key Management Committee:</b> <ul style="list-style-type: none"> <li>Executive Leadership Team Non- Financial Risk Committee.</li> </ul>	<p>The CMF sets the standards on how the Group identifies, assesses, manages, monitors and reports on Compliance management.</p> <p>The CMF is supported by a number of key policies which are set out in the Group Risk Management Approach (RMA).</p> <p>Compliance statements and indicators are included in the Group Risk Appetite Statement (RAS).</p>

## 9.1 Risk management framework (continued)

### Material risk types (continued)

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Insurance Risk	<p>Insurance risk is the risk of loss due to the potential for events the Group has insured against occurring more frequently or with greater severity than anticipated.</p> <p>Insurance risk also covers inadequacy in product design, pricing, underwriting, claims management and reinsurance management as well as variations in policy lapses, servicing expenses, and option take up rates.</p>	<p><b>Governing Policies:</b></p> <ul style="list-style-type: none"> <li>Product Management Policy</li> <li>Underwriting Policy</li> <li>Claims Management Policy</li> <li>Reinsurance Management Policy</li> </ul> <p><b>Key Management Committee:</b></p> <ul style="list-style-type: none"> <li>Executive Committees of insurance writing businesses</li> </ul>	<p>The key limits and standards with respect to insurance risk are set via the end-to-end policies of insurance writing businesses. The major methods include:</p> <ul style="list-style-type: none"> <li>Sound product design and pricing to ensure that customers understand the extent of their cover and that premiums are sufficient to cover the risk involved;</li> <li>Controls to ensure payment of valid claims without undue delay;</li> <li>Regular review of insurance experience (as loss ratios, new business volumes and lapse rates), so that product design, policy liabilities and pricing remains sound; and</li> <li>Transferring a proportion of insurance risk to reinsurers to keep within risk appetite.</li> <li>Insurance risk is measured using actuarial techniques which are used to establish the likelihood and severity of possible insurance claims.</li> </ul>
Strategic Risk	<p>Strategic Risk is the risk of material stakeholder value destruction or less than planned value creation due to changes in the Group's external and internal operating environments (including macroeconomic conditions, competitive forces, technology, regulatory, political and social trends, customer preference and the environment).</p>	<p><b>Governing Policies:</b></p> <ul style="list-style-type: none"> <li>Group Strategic Risk Management Policy</li> </ul> <p><b>Key Management Committee:</b></p> <ul style="list-style-type: none"> <li>Executive Leadership Team</li> </ul>	<p>The Group assesses, monitors and responds to Strategic Risk throughout its processes for:</p> <ul style="list-style-type: none"> <li>strategy development, approval and review;</li> <li>identifying and monitoring changes and potential changes to the operating environment; and</li> <li>monitoring execution progress of strategies.</li> </ul> <p>In developing the strategy, the following is considered:</p> <ul style="list-style-type: none"> <li>impact of strategy on the Group's risk profile and measures of risk appetite;</li> <li>recent execution progress; and</li> <li>assumptions around the operating environment.</li> </ul> <p>Climate Change is an important component of strategic risk. As for all other strategic risks, the potential adverse impacts of climate change manifest, and are therefore measured and managed, as an outcome in the Group's other material risks. In order to understand these potential impacts, and in support of our commitment to limiting climate change in line with the Paris Agreement, and the responsible global transition to net zero emissions by 2050 we:</p> <ul style="list-style-type: none"> <li>Develop scenario analyses to understand the impacts of both transition and physical climate-related risks on our business and the implications for strategic and tactical portfolio decisions; and</li> <li>Have developed policy frameworks which consider Environmental, Social and Governance (ESG) issues, including climate change impacts in assessing our relationships with customers and suppliers.</li> </ul> <p>In addition, Corporate Responsibility programs:</p> <ul style="list-style-type: none"> <li>Outline our objectives for safeguarding the environment, while supporting economic growth and development; and</li> <li>Provide guidelines in monitoring and reducing our own greenhouse gas emissions and energy use.</li> </ul>



## 9.2 Credit risk

### Credit risk management principles and portfolio standards

The Group has clearly defined credit policies for the approval and management of credit risk. Credit policies apply to all credit risks, with specific portfolio standards applying to all major lending areas. These set the minimum requirements in assessing the integrity and ability of counterparties to meet their contracted financial obligations for repayment, acceptable forms of collateral and security and the frequency of credit reviews.

The Group's credit policies and frameworks include concentration limits, which are designed to achieve portfolio outcomes that are consistent with the Group's risk appetite and risk/return expectations.

The Credit Portfolio Assurance unit, part of Group Audit and Assurance, reviews credit portfolios and business unit compliance with credit policies, frameworks, application of credit risk ratings and other key practices on a regular basis.

The credit risk portfolio has two major segments:

#### (i) Retail managed segment

This segment has sub-segments covering housing loans, credit cards, personal loans, and personal overdrafts. It also covers most non-retail lending where the aggregated credit exposure to a group of related obligors is less than \$1 million.

Auto-decisioning is used to approve credit applications for eligible counterparties in this segment. Auto-decisioning uses a scorecard approach based on a combination of factors, which may include the Group's historical experience on similar applications, information from a credit reference bureau, the Group's existing knowledge of a counterparty's behaviour and updated information provided by the counterparty.

Loan applications that do not meet scorecard Auto-decisioning requirements may be referred to a Personal Credit Approval Authority (PCAA) for manual decisioning.

After loan origination, these portfolios are managed using behavioural scoring systems and a delinquency band approach, such as actions taken when loan payments are greater than 30 days past due differ from actions when payments are greater than 60 days past due. Loans past due are reviewed by the relevant Arrears Management or Financial Assistance Team.

#### (ii) Risk-rated segment

This segment comprises non-retail exposures, including bank and sovereign exposures. Each exposure is assigned an internal Credit Risk-Rating (CRR) based on Probability of Default (PD) and Loss Given Default (LGD).

Either a PD Rating Tool or expert judgement is used to determine the PD for customers in this segment. Expert judgement is used where the complexity of the transaction and/or the counterparty is

such that it is inappropriate to rely completely on a statistical model. External ratings may be used for benchmarking in the expert judgement assessment.

The CRR is designed to:

- Aid in assessing changes to counterparty credit quality;
- Influence decisions on approval, management and pricing of individual credit facilities; and
- Provide the basis for reporting details of the Group's credit portfolio.

Credit risk-rated exposures are generally reviewed on an individual basis, at least annually, and fall within the following categories:

- "Pass" – these credit facilities qualify for approval of new or increased exposure on normal commercial terms; and
- "Troublesome or Impaired Assets (TIAs)" – these credit facilities are not eligible for new or increased exposure, unless it facilitates rehabilitation to "pass grade" or protects or improves the Group's position by maximising recovery prospects. Where a counterparty is in default but no loss is expected based on an assessment of the security position and other factors, the facility may be classed as troublesome but not impaired. Where a loss is expected, a facility is classified as impaired. Restructured facilities, where the original contractual arrangements have been modified outside commercial terms to provide concessions for the customer's financial difficulties, are classified as impaired.

Default is to be recorded with one or more of the following:

- The customer is 90 days or more overdue on a scheduled credit repayment; or
- The customer is unlikely to repay their credit obligation to the Group in full without taking action, such as realising on available security.

### Credit risk measurement

The measurement of credit risk uses analytical tools to calculate both: (i) Expected, and (ii) Unexpected Loss probabilities for the credit portfolio. The use of analytical tools is governed by the Credit Rating Governance Committee.

#### (i) Expected loss

Expected Loss (EL) is the product of:

- PD;
- Exposure at Default (EAD); and
- LGD.

The PD, expressed as a percentage, is the estimate of the probability that a client will default within the next 12 months.

## 9.2 Credit risk (continued)

### Credit risk measurement (continued)

EAD is the estimate of the amount of a facility that will be outstanding under a facility in the event of default. Estimates are based on a downturn in economic conditions. The estimate is based on the actual amount outstanding, plus the undrawn amount multiplied by a credit conversion factor (CCF). The CCF represents the potential rate of conversion from undrawn 12 months prior to default to drawn at default. For most committed facilities, the Group applies a CCF of 100% to the undrawn amount.

For uncommitted facilities, the EAD will generally be the drawn balance only. For defaulted facilities, it is the actual amount outstanding at default. For retail exposures, a modelling approach can be used based on factors including limit usage, arrears and loan type to segment accounts into homogeneous pools to calculate EAD.

LGD expressed as a percentage, is the estimated proportion of a facility likely to be lost in the event of default. LGD is impacted by:

- Type and level of any collateral held;
- Liquidity and volatility of collateral;
- Carrying costs (effectively the costs of providing a facility that is not generating an interest return); and
- Realisation costs.

Various factors are considered when calculating PD, EAD and LGD. Considerations include the potential for default by a borrower due to economic, management, industry and other risks, and the mitigating benefits of any collateral held as security.

### (ii) Unexpected loss

In addition to EL, a more stressed loss amount is calculated. This Unexpected Loss estimate directly affects the calculation of regulatory and internal economic capital requirements. Refer to the Performance Overview section and Note 8.1 for information relating to regulatory capital.

### Climate related risk

Climate risk is a risk for the Group. The impacts of climate change have the potential to affect our customers' ability to service and repay their loans, and the value of collateral the Group holds to secure loans. These impacts include long-term changes in climatic conditions, extreme weather events, and the action taken by governments, regulators or society more generally to transition to a low carbon economy.

The Group is a major provider of non-retail loans. A key step in credit risk due diligence for non-retail lending is the assessment of potential transactions for environmental, social and governance (ESG) risks, including climate risk, through our ESG Risk Assessment Tool. All Institutional Banking and Markets loans, as well as large loans in other business units, are evaluated through the Group's compulsory ESG risk assessment process.

The risk of climate change is assessed at origination and during the annual review process. Exposures with medium or high risk profile are subject to additional due diligence and heightened consideration and assessment in the credit process. As at 30 June 2019, there is considered to be no material risk of loss due to climate-related risk in our client exposures.

### Credit risk mitigation, collateral and other credit enhancements

The Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk. These include valuation parameters, review frequency and independence of valuation.

The general nature of collateral that may be taken, and the balances held, are summarised below by financial asset classes.

#### Cash and liquid assets

Collateral is not usually sought on the majority of cash and liquid asset balances as these types of exposures are generally considered low risk. However, securities purchased under agreement to resell are collateralised by highly liquid debt securities. The collateral related to agreements to resell has been legally transferred to the Group subject to an agreement to return them for a fixed price.

The Group's cash and liquid asset balance included \$14,527 million (2018: \$21,148 million) deposited with central banks and is considered to carry less credit risk.

#### Receivables due from other financial institutions

Collateral is usually not sought on these balances as exposures are generally considered to be of low risk. The exposures are mainly short term and to investment grade banks.

#### Trading assets at fair value through income statement and Investment securities at fair value through OCI

These assets are carried at fair value, which accounts for the credit risk. Investment securities at amortised cost are measured at amortised cost and presented net of provisions for impairment. Collateral is not generally sought from the issuer or counterparty but collateral may be implicit in the terms of the instrument (such as an asset-backed security).

#### Insurance assets

These assets are carried at fair value, which accounts for the credit risk. Collateral is not generally sought or provided on these types of assets, other than a fixed charge over properties backing Australian mortgage investments. In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

#### Other assets at fair value through income statement

These assets are carried at fair value, which accounts for the credit risk.

#### Derivative assets

The Group's use of derivative contracts is outlined in Note 5.3. The Group is exposed to counterparty credit risk on derivative contracts. The counterparty credit risk is affected by the nature of the trades, the counterparty, netting, and collateral arrangements. Credit risk from derivatives is mitigated where possible (typically for financial institutions counterparties, but less frequently for corporate or government counterparties) through netting agreements, whereby derivative assets and liabilities with the same counterparty can be offset and cleared with Central Counterparties (CCPs). The International Swaps and Derivatives Association (ISDA) Master Agreement (or other derivative agreements) are used by the Group as an agreement for documenting Over-the-Counter (OTC) derivatives.

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## 9.2 Credit risk (continued)

### Derivative assets (continued)

The fair value of collateral held and the potential effect of offset obtained by applying master netting agreements are disclosed in Note 9.7.

### Due from controlled entities

Collateral is not generally taken on these intergroup balances.

### Credit commitments and contingent liabilities

The Group applies fundamentally the same risk management policies for off Balance Sheet risks as it does for its on Balance Sheet risks. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction. Of the Group's off Balance Sheet exposures, \$103,713 million (2018: \$100,110 million) are secured.

### Loans, bills discounted and other receivables

The principal collateral types for loans and receivable balances are:

- Mortgages over residential and commercial real estate; and
- Charges over business assets such as cash, shares, inventory, fixed assets and accounts receivables.

Collateral security is generally taken except for government, bank and corporate counterparties that are often externally risk-rated and of strong financial standing. Longer term consumer finance, such as housing loans, are generally secured against real estate, while short term revolving consumer credit is generally not secured by formal collateral.

The collateral mitigating credit risk of the key lending portfolios is addressed in the table 'Collateral held against Loans, Bills Discounted and Other Receivables' within this note.

## 9.2 Credit risk (continued)

### Maximum exposure to credit risk by industry and asset class before collateral held or other credit enhancements

	Group At 30 June 2019									
	Sovereign \$M	Agri- culture \$M	Bank and Other Financial \$M	Home Loans \$M	Constr- uction \$M	Other Personal \$M	Asset Financ- ing \$M	Other Comm and Indust. \$M	Other \$M	Total \$M
<b>Australia</b>										
<b>Credit risk exposures relating to on Balance Sheet assets:</b>										
Cash and liquid assets	4,575	-	11,930	-	-	-	-	-	-	16,505
Receivables due from other financial institutions	-	-	3,037	-	-	-	-	-	-	3,037
Assets at fair value through Income Statement:										
Trading	21,354	-	941	-	-	-	-	9,308	-	31,603
Other	81	-	434	-	-	-	-	414	242	1,171
Derivative assets	1,414	64	18,550	-	4	-	-	1,150	-	21,182
Investment securities:										
At amortised cost	9	-	7,341	-	-	-	-	-	-	7,350
At fair value through Other Comprehensive Income	43,540	-	16,893	-	-	-	-	67	-	60,500
Loans, bills discounted and other receivables <sup>(1)</sup>	16,762	9,291	8,675	467,361	3,238	21,508	7,947	118,207	-	652,989
Bank acceptances	-	3	-	-	2	-	-	27	-	32
Other assets <sup>(2)</sup>	488	3	5,496	-	-	10	-	230	14,175	20,402
Assets held for sale	1,423	-	5,633	-	-	-	-	3,943	4,211	15,210
<b>Total on Balance Sheet Australia</b>	<b>89,646</b>	<b>9,361</b>	<b>78,930</b>	<b>467,361</b>	<b>3,244</b>	<b>21,518</b>	<b>7,947</b>	<b>133,346</b>	<b>18,628</b>	<b>829,981</b>
<b>Credit risk exposures relating to off Balance Sheet assets:</b>										
Guarantees	36	20	1,584	-	324	-	-	3,195	-	5,159
Loan commitments	605	1,975	7,675	67,874	2,331	21,207	-	34,156	-	135,823
Other commitments	58	11	1,362	-	1,390	214	12	2,963	-	6,010
<b>Total Australia</b>	<b>90,345</b>	<b>11,367</b>	<b>89,551</b>	<b>535,235</b>	<b>7,289</b>	<b>42,939</b>	<b>7,959</b>	<b>173,660</b>	<b>18,628</b>	<b>976,973</b>
<b>Overseas</b>										
<b>Credit risk exposures relating to on Balance Sheet assets:</b>										
Cash and liquid assets	9,952	-	2,930	-	-	-	-	-	-	12,882
Receivables due from other financial institutions	-	-	5,056	-	-	-	-	-	-	5,056
Assets at fair value through Income Statement:										
Trading	602	-	251	-	-	-	-	50	-	903
Insurance	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	169	12	2,110	-	-	-	-	1,742	-	4,033
Investment securities:										
At amortised cost	5	-	-	-	-	-	-	-	-	5
At fair value through Other Comprehensive Income	16,092	-	2,320	-	-	-	-	-	-	18,412
Loans, bills discounted and other receivables <sup>(1)</sup>	1,436	10,467	6,637	55,581	701	1,924	416	30,830	-	107,992
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets <sup>(2)</sup>	30	-	338	-	-	4	8	49	1,308	1,737
Assets held for sale	683	-	469	-	-	-	-	23	166	1,341
<b>Total on Balance Sheet Overseas</b>	<b>28,969</b>	<b>10,479</b>	<b>20,111</b>	<b>55,581</b>	<b>701</b>	<b>1,928</b>	<b>424</b>	<b>32,694</b>	<b>1,474</b>	<b>152,361</b>
<b>Credit risk exposures relating to off Balance Sheet assets:</b>										
Guarantees	-	10	949	-	54	-	-	334	-	1,347
Loan commitments	419	834	5,034	7,875	222	2,098	48	9,849	-	26,379
Other commitments	-	-	473	-	3	-	-	612	-	1,088
<b>Total Overseas</b>	<b>29,388</b>	<b>11,323</b>	<b>26,567</b>	<b>63,456</b>	<b>980</b>	<b>4,026</b>	<b>472</b>	<b>43,489</b>	<b>1,474</b>	<b>181,175</b>
<b>Total gross credit risk</b>	<b>119,733</b>	<b>22,690</b>	<b>116,118</b>	<b>598,691</b>	<b>8,269</b>	<b>46,965</b>	<b>8,431</b>	<b>217,149</b>	<b>20,102</b>	<b>1,158,148</b>

(1) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income in line with Note 3.1.

(2) For the purpose of reconciling to the Balance Sheet, "Other Assets" predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in Associates and Joint Ventures, Intangible Assets, Deferred tax assets and Other assets.

## 9.2 Credit risk (continued)

### Maximum exposure to credit risk by industry and asset class before collateral held or other credit enhancements (continued)

Group  
At 30 June 2018

	Sovereign \$M	Agri- culture \$M	Bank and Other Financial \$M	Home Loans \$M	Constr- uction \$M	Other Personal \$M	Asset Financ- ing \$M	Other Comm and Indust. \$M	Other \$M	Total \$M
<b>Australia</b>										
<b>Credit risk exposures relating to on Balance Sheet assets:</b>										
Cash and liquid assets	4,461	-	10,974	-	-	-	-	-	-	15,435
Receivables due from other financial institutions	-	-	2,644	-	-	-	-	-	-	2,644
Assets at fair value through Income Statement:										
Trading	15,917	-	2,780	-	-	-	-	10,223	-	28,920
Other	49	-	209	-	-	-	-	-	-	258
Derivative assets	1,371	45	20,865	-	4	-	-	1,736	-	24,021
Available-for-sale investments	39,906	-	26,525	-	-	-	-	298	-	66,729
Loans, bills discounted and other receivables <sup>(1)</sup>	16,823	8,998	12,951	451,367	3,028	23,658	8,581	118,681	-	644,087
Bank acceptances	-	2	-	-	2	-	-	35	-	39
Other assets <sup>(2)</sup>	1,030	4	4,272	-	1	7	-	237	15,100	20,651
Assets held for sale	1,521	-	4,585	-	-	-	-	4,172	3,136	13,414
<b>Total on Balance Sheet Australia</b>	<b>81,078</b>	<b>9,049</b>	<b>85,805</b>	<b>451,367</b>	<b>3,035</b>	<b>23,665</b>	<b>8,581</b>	<b>135,382</b>	<b>18,236</b>	<b>816,198</b>
<b>Credit risk exposures relating to off Balance Sheet assets:</b>										
Guarantees	44	18	991	6	307	-	-	3,059	-	4,425
Loan commitments	907	1,750	7,837	66,483	2,439	21,783	-	34,995	-	136,194
Other commitments	54	22	736	1	1,357	-	10	3,021	-	5,201
<b>Total Australia</b>	<b>82,083</b>	<b>10,839</b>	<b>95,369</b>	<b>517,857</b>	<b>7,138</b>	<b>45,448</b>	<b>8,591</b>	<b>176,457</b>	<b>18,236</b>	<b>962,018</b>
<b>Overseas</b>										
<b>Credit risk exposures relating to on Balance Sheet assets:</b>										
Cash and liquid assets	16,688	-	4,294	-	-	-	-	-	-	20,982
Receivables due from other financial institutions	-	-	6,578	-	-	-	-	-	-	6,578
Assets at fair value through Income Statement:										
Trading	2,161	-	1,085	-	-	-	-	88	-	3,334
Insurance	358	-	14	-	-	-	-	-	-	372
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	348	16	4,586	-	-	-	-	3,162	-	8,112
Available-for-sale investments	12,515	-	2,995	-	-	-	-	1	-	15,511
Loans, bills discounted and other receivables <sup>(1)</sup>	1,571	9,930	7,075	50,298	638	1,844	457	32,129	-	103,942
Bank acceptances	-	-	-	-	-	-	-	340	-	340
Other assets <sup>(2)</sup>	30	-	798	2	-	3	10	43	1,334	2,220
Assets held for sale	-	-	1,788	-	-	-	-	-	452	2,240
<b>Total on Balance Sheet Overseas</b>	<b>33,671</b>	<b>9,946</b>	<b>29,213</b>	<b>50,300</b>	<b>638</b>	<b>1,847</b>	<b>467</b>	<b>35,763</b>	<b>1,786</b>	<b>163,631</b>
<b>Credit risk exposures relating to off Balance Sheet assets:</b>										
Guarantees	1	9	1,486	-	40	-	-	304	-	1,840
Loan commitments	349	1,007	4,266	7,268	230	1,977	-	10,799	-	25,896
Other commitments	9	5	607	-	1	-	-	1,018	-	1,640
<b>Total Overseas</b>	<b>34,030</b>	<b>10,967</b>	<b>35,572</b>	<b>57,568</b>	<b>909</b>	<b>3,824</b>	<b>467</b>	<b>47,884</b>	<b>1,786</b>	<b>193,007</b>
<b>Total gross credit risk</b>	<b>116,113</b>	<b>21,806</b>	<b>130,941</b>	<b>575,425</b>	<b>8,047</b>	<b>49,272</b>	<b>9,058</b>	<b>224,341</b>	<b>20,022</b>	<b>1,155,025</b>

(1) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income in line with Note 3.1.

(2) For the purpose of reconciling to the Balance Sheet, "Other Assets" predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in Associates and Joint Ventures, Intangible Assets, Deferred tax assets and Other assets.

## 9.2 Credit risk (continued)

### Large exposures

Concentrations of exposure to any counterparty or counterparty group are controlled by a large credit exposure policy, which defines a graduated limit framework that restricts credit limits based on the internally assessed CRR, the type of client, and facility tenor. All exposures outside the policy limits require approval by the Executive Risk Committee and are reported to the Board Risk Committee.

The following table shows the number of the Group's Corporate and Industrial aggregated counterparty exposures (including direct and contingent exposures), which individually were greater than 5% of the Group's capital resources (Tier 1 and Tier 2 capital):

	Group	
	30 Jun 19	30 Jun 18
	Number	Number
5% to less than 10% of the Group's capital resources	-	-
10% to less than 15% of the Group's capital resources	-	-

The Group has a high quality, well diversified credit portfolio, with 61% of the gross loans and other receivables in domestic mortgage loans and a further 7% in overseas mortgage loans, primarily in New Zealand. Overseas loans account for 14% of loans and advances.

### Distribution of financial assets by credit classification

When doubt arises as to the collectability of a credit facility, the financial instrument is classified and reported as impaired. Provisions for impairment are raised where there is objective evidence of impairment and for an amount adequate to cover assessed credit related losses. The Group regularly reviews its financial assets and monitors adherence to contractual terms. Credit risk-rated exposures are assessed, at least at each Balance Sheet date, to determine whether the financial asset is impaired.

### Distribution of financial instruments by credit quality

The tables on pages 139 to 141 provide information about the gross carrying amount of the Group's and the Bank's loans, bills discounted and other receivables by credit rating grade and ECL stage as at 30 June 2019.

This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a counterparty's internally assessed PD to S&P Global ratings, reflecting a counterparty's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation. Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. Specifically, Investment grade corresponds to S&P ratings AAA to BBB-, Pass grade corresponds to S&P ratings BB+ to B-, Weak grade corresponds to S&P ratings below CCC. For Stage 3, weak grade includes exposures in default.

## 9.2 Credit risk (continued)

### Distribution of financial instruments by credit quality

	Group 30 Jun 19				
	Stage 1 Collectively Assessed \$M	Stage 2 Collectively Assessed \$M	Stage 3 Collectively Assessed \$M	Stage 3 Individually Assessed \$M	Total \$M
<b>Loans, bills and discounted and other receivables</b>					
<b>Credit grade</b>					
Investment	380,159	30,212	-	-	410,371
Pass	231,412	87,280	-	-	318,692
Weak	9,159	15,024	4,500	2,110	30,793
<b>Gross carrying amount</b>	<b>620,730</b>	<b>132,516</b>	<b>4,500</b>	<b>2,110</b>	<b>759,856</b>
<b>Undrawn credit commitments</b>					
<b>Credit grade</b>					
Investment	78,502	14,470	-	-	92,972
Pass	35,709	11,381	-	-	47,090
Weak	748	425	87	88	1,348
<b>Total undrawn credit commitments</b>	<b>114,959</b>	<b>26,276</b>	<b>87</b>	<b>88</b>	<b>141,410</b>
<b>Total credit exposures</b>	<b>735,689</b>	<b>158,792</b>	<b>4,587</b>	<b>2,198</b>	<b>901,266</b>
<b>Impairment provision</b>	<b>897</b>	<b>2,444</b>	<b>479</b>	<b>895</b>	<b>4,715</b>
<b>ECL coverage %</b>	<b>0. 1</b>	<b>1. 5</b>	<b>10. 4</b>	<b>40. 7</b>	<b>0. 5</b>
<b>Financial guarantees and other off Balance Sheet instruments</b>					
<b>Credit grade</b>					
Investment	8,866	1,553	-	-	10,419
Pass	3,358	3,689	-	-	7,047
Weak	45	236	19	20	320
<b>Total financial guarantees and other off Balance Sheet instruments</b>	<b>12,269</b>	<b>5,478</b>	<b>19</b>	<b>20</b>	<b>17,786</b>
<b>Impairment provision</b>	<b>8</b>	<b>75</b>	<b>1</b>	<b>-</b>	<b>84</b>
<b>ECL coverage %</b>	<b>0. 1</b>	<b>1. 4</b>	<b>5. 3</b>	<b>-</b>	<b>0. 5</b>
<b>Total Credit Exposures</b>					
<b>Credit grade</b>					
Investment	467,527	46,235	-	-	513,762
Pass	270,479	102,350	-	-	372,829
Weak	9,952	15,685	4,606	2,218	32,461
<b>Total credit exposures <sup>(1)</sup></b>	<b>747,958</b>	<b>164,270</b>	<b>4,606</b>	<b>2,218</b>	<b>919,052</b>
<b>Total impairment provision</b>	<b>905</b>	<b>2,519</b>	<b>480</b>	<b>895</b>	<b>4,799</b>
<b>ECL coverage %</b>	<b>0. 1</b>	<b>1. 5</b>	<b>10. 4</b>	<b>40. 4</b>	<b>0. 5</b>

(1) The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risk at an industry, geographical location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 credit exposures for the Group as at 30 June 2019.

## 9.2 Credit risk (continued)

### Distribution of Financial Instruments by Credit Quality (continued)

					Bank 30 Jun 19
	Stage 1 Collectively Assessed \$M	Stage 2 Collectively Assessed \$M	Stage 3 Collectively Assessed \$M	Stage 3 Individually Assessed \$M	Total \$M
<b>Loans, bills and discounted and other receivables</b>					
<b>Credit grade</b>					
Investment	353,676	28,113	-	-	381,789
Pass	182,819	72,105	-	-	254,924
Weak	8,681	13,529	4,081	1,728	28,019
<b>Gross carrying amount</b>	<b>545,176</b>	<b>113,747</b>	<b>4,081</b>	<b>1,728</b>	<b>664,732</b>
<b>Undrawn credit commitments</b>					
<b>Credit grade</b>					
Investment	75,156	14,395	-	-	89,551
Pass	28,875	10,180	-	-	39,055
Weak	728	383	70	65	1,246
<b>Total undrawn credit commitments</b>	<b>104,759</b>	<b>24,958</b>	<b>70</b>	<b>65</b>	<b>129,852</b>
<b>Total credit exposures</b>	<b>649,935</b>	<b>138,705</b>	<b>4,151</b>	<b>1,793</b>	<b>794,584</b>
<b>Impairment provision</b>	<b>793</b>	<b>2,220</b>	<b>441</b>	<b>801</b>	<b>4,255</b>
<b>ECL coverage %</b>	<b>0.1</b>	<b>1.6</b>	<b>10.6</b>	<b>44.7</b>	<b>0.5</b>
<b>Financial guarantees and other off Balance Sheet instruments</b>					
<b>Credit grade</b>					
Investment	8,762	1,553	-	-	10,315
Pass	3,064	3,511	-	-	6,575
Weak	45	230	18	20	313
<b>Total financial guarantees and other off Balance Sheet instruments</b>	<b>11,871</b>	<b>5,294</b>	<b>18</b>	<b>20</b>	<b>17,203</b>
<b>Impairment provision</b>	<b>8</b>	<b>73</b>	<b>2</b>	<b>-</b>	<b>83</b>
<b>ECL coverage %</b>	<b>0.1</b>	<b>1.4</b>	<b>11.1</b>	<b>-</b>	<b>0.5</b>
<b>Total Credit Exposures</b>					
<b>Credit grade</b>					
Investment	437,594	44,061	-	-	481,655
Pass	214,758	85,796	-	-	300,554
Weak	9,454	14,142	4,169	1,813	29,578
<b>Total credit exposures <sup>(1)</sup></b>	<b>661,806</b>	<b>143,999</b>	<b>4,169</b>	<b>1,813</b>	<b>811,787</b>
<b>Total impairment provision</b>	<b>801</b>	<b>2,293</b>	<b>443</b>	<b>801</b>	<b>4,338</b>
<b>ECL coverage %</b>	<b>0.1</b>	<b>1.6</b>	<b>10.6</b>	<b>44.2</b>	<b>0.5</b>

(1) The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risk at an industry, geographical location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 credit exposures for the Bank as at 30 June 2019.



## 9.2 Credit risk (continued)

### Distribution of financial instruments by credit quality (continued)

The tables below present the Group's and the Bank's total impairment provisions on lending assets by ECL stage as at 30 June 2019.

					30 Jun 19
Portfolio <sup>(1)</sup>	Impairment provisions, \$M				Total
	Stage 1 12 months ECL Collectively assessed	Stage 2 Lifetime ECL Collectively assessed	Stage 3 Lifetime ECL Collectively assessed	Stage 3 Lifetime ECL Individually assessed	
<b>Retail</b>					
Secured lending	266	393	132	271	1,062
Unsecured lending	474	934	217	3	1,628
<b>Total retail</b>	<b>740</b>	<b>1,327</b>	<b>349</b>	<b>274</b>	<b>2,690</b>
<b>Non-retail</b>					
Corporate and business lending, bank and sovereign entities <sup>(2)</sup>	168	1,192	131	621	2,112
<b>Total <sup>(3)</sup></b>	<b>908</b>	<b>2,519</b>	<b>480</b>	<b>895</b>	<b>4,802</b>

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees and debt securities classified at fair value through OCI.

(2) Stage 1 provision includes \$3 million ECL in relation to investment securities at fair value through OCI.

(3) The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risk at an industry, geographical location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 credit exposures for the Group as at 30 June 2019.

					Bank 30 Jun 19
Portfolio <sup>(1) (2)</sup>	Impairment provisions, \$M				Total
	Stage 1 12 months ECL Collectively assessed	Stage 2 Lifetime ECL Collectively assessed	Stage 3 Lifetime ECL Collectively assessed	Stage 3 Lifetime ECL Individually assessed	
<b>Retail</b>					
Secured lending	234	353	122	261	970
Unsecured lending	434	906	200	3	1,543
<b>Total retail</b>	<b>668</b>	<b>1,259</b>	<b>322</b>	<b>264</b>	<b>2,513</b>
<b>Non-retail</b>					
Corporate and business lending, bank and sovereign entities <sup>(3)</sup>	135	1,034	121	537	1,827
<b>Total <sup>(4)</sup></b>	<b>803</b>	<b>2,293</b>	<b>443</b>	<b>801</b>	<b>4,340</b>

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees and debt securities classified at fair value through OCI.

(2) Impairment provisions exclude \$21 million recognised in relation to the Bank's loans to controlled entities.

(3) Stage 1 provision includes \$2 million ECL in relation to investment securities at fair value through OCI.

(4) The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risk at an industry, geographical location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 credit exposures for the Bank as at 30 June 2019.

## 9.2 Credit risk (continued)

### Prior year comparative credit risk disclosures

The credit risk disclosures on pages 142 to 147 were included in the Financial Report for the year ended 30 June 2018 and do not reflect the adoption of AASB 9 on 1 July 2018. These tables are not directly comparable to the credit risk information as at 30 June 2019 provided under AASB 9 on pages 139 to 141 above.

### Distribution of financial instruments by credit quality

The table below segregates financial instruments into neither past due nor impaired, past due but not impaired and impaired. An asset is considered to be past due when a contracted amount, including principal or interest, has not been met when due or it is otherwise outside contracted arrangements. Excluding some retail portfolios, the amount included as past due is the entire contractual balance, rather than the overdue portion.

	Group 30 Jun 18					
	Neither Past Due nor Impaired \$M	Past due but not Impaired \$M	Impaired Assets \$M	Gross \$M	Total Provisions for Impairment Losses \$M	Net \$M
Cash and liquid assets	36,417	-	-	36,417	-	36,417
Receivables due from other financial institutions	9,222	-	-	9,222	-	9,222
Assets at fair value through Income Statement:						
Trading	32,254	-	-	32,254	-	32,254
Insurance	372	-	-	372	-	372
Other	258	-	-	258	-	258
Derivative assets	32,081	-	52	32,133	-	32,133
Available-for-sale investments	82,240	-	-	82,240	-	82,240
Loans, bills discounted and other receivables:						
Australia	628,865	13,071	2,151	644,087	(3,178)	640,909
Overseas	100,904	2,152	886	103,942	(427)	103,515
Bank acceptances	379	-	-	379	-	379
Assets held for sale	11,999	-	-	11,999	-	11,999
Credit related commitments	175,106	-	90	175,196	(28)	175,168
<b>Total</b>	<b>1,110,097</b>	<b>15,223</b>	<b>3,179</b>	<b>1,128,499</b>	<b>(3,633)</b>	<b>1,124,866</b>

## 9.2 Credit risk (continued)

### Prior year comparative credit risk disclosures (continued)

#### Distribution of financial instruments by credit quality (continued)

	Bank 30 Jun 18					
	Neither Past Due nor Impaired \$M	Past Due but not Impaired \$M	Impaired Assets \$M	Gross \$M	Total Provisions for Impairment Losses \$M	Net \$M
Cash and liquid assets	33,581	-	-	33,581	-	33,581
Receivables due from other financial institutions	8,376	-	-	8,376	-	8,376
Assets at fair value through Income Statement:						
Trading	29,993	-	-	29,993	-	29,993
Insurance	-	-	-	-	-	-
Other	-	-	-	-	-	-
Derivative assets	30,834	-	51	30,885	-	30,885
Available-for-sale investments	77,731	-	-	77,731	-	77,731
Loans, bills discounted and other receivables:						
Australia	620,641	13,066	2,130	635,837	(3,171)	632,666
Overseas	24,681	23	326	25,030	(90)	24,940
Bank acceptances	379	-	-	379	-	379
Shares in and loans to controlled entities	118,252	-	-	118,252	-	118,252
Credit related commitments	159,521	-	85	159,606	(28)	159,578
<b>Total</b>	<b>1,103,989</b>	<b>13,089</b>	<b>2,592</b>	<b>1,119,670</b>	<b>(3,289)</b>	<b>1,116,381</b>

## 9.2 Credit risk (continued)

### Prior year comparative credit risk disclosures (continued)

#### Credit quality of loans, bills discounted and other receivables which were neither past due nor impaired

For the analysis below, financial assets that are neither past due nor impaired have been segmented into investment, pass and weak classifications. This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a counterparty's internally assessed PD to S&P Global ratings, reflecting a counterparty's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation. Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. No consideration is given to LGD, the impact of any recoveries or the potential benefit of mortgage insurance.

					Group 30 Jun 18
Credit grading	Home Loans \$M	Other Personal \$M	Asset Financing \$M	Other Commercial and Industrial \$M	Total \$M
<b>Australia</b>					
Investment	307,993	4,608	643	71,525	384,769
Pass	124,371	13,863	7,435	83,185	228,854
Weak	7,567	4,045	243	3,387	15,242
<b>Total Australia</b>	<b>439,931</b>	<b>22,516</b>	<b>8,321</b>	<b>158,097</b>	<b>628,865</b>
<b>Overseas <sup>(1)</sup></b>					
Investment	15,471	-	9	23,837	39,317
Pass	32,327	1,544	424	26,078	60,373
Weak	888	-	-	326	1,214
<b>Total overseas</b>	<b>48,686</b>	<b>1,544</b>	<b>433</b>	<b>50,241</b>	<b>100,904</b>
<b>Total loans which were neither past due nor impaired</b>	<b>488,617</b>	<b>24,060</b>	<b>8,754</b>	<b>208,338</b>	<b>729,769</b>

(1) For New Zealand Housing Loans, PDs reflect Reserve Bank of New Zealand requirements resulting in higher PDs on average and lower grading.

## 9.2 Credit risk (continued)

### Prior year comparative credit risk disclosures (continued)

Credit quality of loans, bills discounted and other receivables which were neither past due nor impaired (continued)

	Bank 30 Jun 18				
Credit grading	Home Loans \$M	Other Personal \$M	Asset Financing \$M	Other Commercial and Industrial \$M	Total \$M
<b>Australia</b>					
Investment	307,974	4,603	641	70,727	383,945
Pass	117,245	13,847	7,386	83,066	221,544
Weak	7,539	4,039	243	3,331	15,152
<b>Total Australia</b>	<b>432,758</b>	<b>22,489</b>	<b>8,270</b>	<b>157,124</b>	<b>620,641</b>
<b>Overseas</b>					
Investment	65	-	1	18,711	18,777
Pass	295	2	-	5,544	5,841
Weak	-	-	-	63	63
<b>Total overseas</b>	<b>360</b>	<b>2</b>	<b>1</b>	<b>24,318</b>	<b>24,681</b>
<b>Total loans which were neither past due nor impaired</b>	<b>433,118</b>	<b>22,491</b>	<b>8,271</b>	<b>181,442</b>	<b>645,322</b>

## 9.2 Credit risk (continued)

### Prior year comparative credit risk disclosures (continued)

#### Other financial assets which were neither past due nor impaired

The majority of all other financial assets of the Group and the Bank that were neither past due nor impaired as at 30 June 2018 were of investment grade.

#### Age analysis of loans, bills discounted and other receivables that are past due but not impaired

For the purposes of this analysis an asset is considered to be past due when any payment under the contractual terms has been missed.

Past due loans are not classified as impaired if no loss to the Group is expected. Unsecured consumer loans are impaired at 90 days past due and may be classified as impaired earlier if non-commercial repayment arrangements are agreed or a related loan is classified as impaired.

	Group 30 Jun 18				
	Home Loans \$M	Other Personal <sup>(1)</sup> \$M	Asset Financing \$M	Other Commercial and Industrial \$M	Total \$M
<b>Loans which were past due but not impaired</b>					
<b>Australia</b>					
Past due 1 - 29 days	4,703	550	146	1,170	6,569
Past due 30 - 59 days	1,770	180	38	199	2,187
Past due 60 - 89 days	1,005	121	11	93	1,230
Past due 90 - 179 days	1,410	-	2	140	1,552
Past due 180 days or more	1,292	2	-	239	1,533
<b>Total Australia</b>	<b>10,180</b>	<b>853</b>	<b>197</b>	<b>1,841</b>	<b>13,071</b>
<b>Overseas</b>					
Past due 1 - 29 days	1,227	205	13	268	1,713
Past due 30 - 59 days	162	44	4	7	217
Past due 60 - 89 days	63	19	1	8	91
Past due 90 - 179 days	45	14	2	15	76
Past due 180 days or more	26	7	-	22	55
<b>Total overseas</b>	<b>1,523</b>	<b>289</b>	<b>20</b>	<b>320</b>	<b>2,152</b>
<b>Total loans which were past due but not impaired</b>	<b>11,703</b>	<b>1,142</b>	<b>217</b>	<b>2,161</b>	<b>15,223</b>

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.

## 9.2 Credit risk (continued)

### Prior year comparative credit risk disclosures (continued)

#### Age analysis of loans, bills discounted and other receivables that are past due but not impaired

	Bank 30 Jun 18				
	Home Loans \$M	Other Personal <sup>(1)</sup> \$M	Asset Financing \$M	Other Commercial and Industrial \$M	Total \$M
<b>Loans which were past due but not impaired</b>					
<b>Australia</b>					
Past due 1 - 29 days	4,701	550	146	1,170	6,567
Past due 30 - 59 days	1,769	180	38	199	2,186
Past due 60 - 89 days	1,005	121	11	93	1,230
Past due 90 - 179 days	1,409	-	2	140	1,551
Past due 180 days or more	1,291	2	-	239	1,532
<b>Total Australia</b>	<b>10,175</b>	<b>853</b>	<b>197</b>	<b>1,841</b>	<b>13,066</b>
<b>Overseas</b>					
Past due 1 - 29 days	20	-	-	-	20
Past due 30 - 59 days	2	-	-	-	2
Past due 60 - 89 days	-	-	-	-	-
Past due 90 - 179 days	-	-	-	-	-
Past due 180 days or more	-	-	-	1	1
<b>Total overseas</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>23</b>
<b>Total loans which were past due but not impaired</b>	<b>10,197</b>	<b>853</b>	<b>197</b>	<b>1,842</b>	<b>13,089</b>

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.

### Impaired Assets by Classification

Assets in credit risk rated portfolios and retail managed portfolios are assessed for objective evidence that the financial asset is impaired.

Impaired assets are split into the following categories:

- Non-Performing Facilities;
- Restructured Facilities; and
- Unsecured retail managed facilities 90 days or more past due.

Non-performing facilities are facilities against which an individually assessed provision for impairment has been raised and facilities where loss of principal or interest is anticipated. Interest income on these facilities is reserved and taken to the Income Statement only if paid in cash or if a recovery is made.

Restructured facilities are facilities where the original contractual terms have been modified to non-commercial terms due to financial difficulties of the borrower. Interest on these facilities is taken to the Income Statement. Failure to comply fully with the modified terms will result in immediate reclassification to non-performing.

Unsecured retail products 90 days or more past due are credit cards, personal loans and other unsecured retail products which are 90 days or more past due. These loans are collectively provided for.

The Group does not manage credit risk based solely on arrears categorisation, but also uses credit risk rating principles as described earlier in this note.

## 9.2 Credit risk (continued)

### Impaired assets by classification (continued)

		<b>Group</b>			
	<b>30 Jun 19</b>	<b>30 Jun 18</b>	<b>30 Jun 17</b>	<b>30 Jun 16</b>	<b>30 Jun 15</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>Australia</b>					
Non-Performing assets:					
Gross balances	<b>2,217</b>	1,711	1,962	2,002	1,940
Less provisions for impairment	<b>(826)</b>	(694)	(817)	(807)	(775)
Net non-performing assets	<b>1,391</b>	1,017	1,145	1,195	1,165
Restructured assets:					
Gross balances	<b>428</b>	264	174	221	144
Less provisions for impairment	<b>(13)</b>	(4)	-	-	-
Net restructured assets	<b>415</b>	260	174	221	144
Unsecured retail products 90 days or more past due:					
Gross balances	<b>245</b>	254	251	252	251
Less provisions for impairment	<b>(199)</b>	(161)	(157)	(169)	(130)
Net unsecured retail products 90 days or more past due	<b>46</b>	93	94	83	121
<b>Net Australia impaired assets</b>	<b>1,852</b>	1,370	1,413	1,499	1,430
<b>Overseas</b>					
Non-Performing assets:					
Gross balances	<b>518</b>	695	686	560	454
Less provisions for impairment	<b>(126)</b>	(176)	(163)	(138)	(112)
Net non-performing assets	<b>392</b>	519	523	422	342
Restructured assets:					
Gross balances	<b>196</b>	242	101	67	54
Less provisions for impairment	<b>(6)</b>	(20)	-	-	-
Net restructured assets	<b>190</b>	222	101	67	54
Unsecured retail products 90 days or more past due:					
Gross balances	<b>18</b>	13	13	14	12
Less provisions for impairment	<b>(17)</b>	(13)	(12)	(13)	(9)
Net unsecured retail products 90 days or more past due	<b>1</b>	-	1	1	3
<b>Net Overseas impaired assets</b>	<b>583</b>	741	625	490	399
<b>Total net impaired assets</b>	<b>2,435</b>	2,111	2,038	1,989	1,829



## 9.2 Credit risk (continued)

### Impaired assets by size

				Group		
	Australia	Overseas	Total	Australia	Overseas	Total
	30 Jun 19	30 Jun 19	30 Jun 19	30 Jun 18	30 Jun 18	30 Jun 18
	\$M	\$M	\$M	\$M	\$M	\$M
<b>Impaired assets by size</b>						
Less than \$1 million	1,698	266	1,964	1,418	139	1,557
\$1 million to \$10 million	628	147	775	569	197	766
Greater than \$10 million	564	319	883	242	614	856
<b>Total <sup>(1) (2)</sup></b>	<b>2,890</b>	<b>732</b>	<b>3,622</b>	<b>2,229</b>	<b>950</b>	<b>3,179</b>

### Movement in impaired assets

	Group				
	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15
	\$M	\$M	\$M	\$M	\$M
<b>Movement in gross impaired assets</b>					
Gross impaired assets - opening balance	3,179	3,187	3,116	2,855	3,367
New and increased	2,289	2,136	2,164	2,370	2,095
Balances written off	(1,245)	(1,196)	(1,225)	(1,328)	(1,355)
Returned to performing or repaid	(1,328)	(1,666)	(1,637)	(1,460)	(1,903)
Portfolio managed - new/increased/return to performing/repaid	727	718	769	679	651
<b>Gross impaired assets - closing balance <sup>(1) (2)</sup></b>	<b>3,622</b>	<b>3,179</b>	<b>3,187</b>	<b>3,116</b>	<b>2,855</b>

(1) As at 30 June 2019, impaired assets include those assets in Stage 3 that are considered impaired, as well as \$139 million of restructured assets in Stage 2. Stage 3 assets include impaired assets and those that are defaulted but not impaired as they are well secured.

(2) Includes \$3,454 million of loans and advances and \$168 million of other financial assets (30 June 2018: \$3,037 million of loans and advances and \$142 million of other financial assets).

## 9.2 Credit risk (continued)

### Impaired assets by industry and status

								Group 30 Jun 19
Industry	Total Balance \$M	Gross Impaired Assets \$M	Total Provisions for Impaired Assets <sup>(1)</sup> \$M	Net Impaired Assets \$M	Write-offs <sup>(2)</sup> \$M	Recoveries <sup>(2)</sup> \$M	Net Write-offs <sup>(2)</sup> \$M	
<b>Loans - Australia</b>								
Sovereign	16,762	-	-	-	-	-	-	
Agriculture	9,291	114	(52)	62	59	-	59	
Bank and other financial	8,675	6	(15)	(9)	1	-	1	
Home loans	467,361	1,596	(272)	1,324	134	(4)	130	
Construction	3,238	82	(84)	(2)	44	(1)	43	
Other personal	21,508	276	(202)	74	787	(169)	618	
Asset financing	7,947	78	(10)	68	17	(2)	15	
Other commercial and industrial	118,207	626	(403)	223	126	(14)	112	
<b>Total loans - Australia</b>	<b>652,989</b>	<b>2,778</b>	<b>(1,038)</b>	<b>1,740</b>	<b>1,168</b>	<b>(190)</b>	<b>978</b>	
<b>Loans - Overseas</b>								
Sovereign	1,436	-	-	-	-	-	-	
Agriculture	10,467	298	(46)	252	2	-	2	
Bank and other financial	6,637	10	-	10	5	-	5	
Home loans	55,581	204	(10)	194	2	(1)	1	
Construction	701	1	-	1	2	-	2	
Other personal	1,924	16	(20)	(4)	70	(11)	59	
Asset financing	416	2	-	2	-	-	-	
Other commercial and industrial	30,830	145	(73)	72	152	(4)	148	
<b>Total loans - Overseas</b>	<b>107,992</b>	<b>676</b>	<b>(149)</b>	<b>527</b>	<b>233</b>	<b>(16)</b>	<b>217</b>	
<b>Total loans</b>	<b>760,981</b>	<b>3,454</b>	<b>(1,187)</b>	<b>2,267</b>	<b>1,401</b>	<b>(206)</b>	<b>1,195</b>	
<b>Other balances - Australia</b>								
Credit commitments	146,992	111	-	111	-	-	-	
Derivatives	21,182	1	-	1	-	-	-	
<b>Total other balances - Australia</b>	<b>168,174</b>	<b>112</b>	<b>-</b>	<b>112</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Other balances - Overseas</b>								
Credit commitments	28,814	9	-	9	-	-	-	
Derivatives	4,033	47	-	47	-	-	-	
<b>Total other balances - Overseas</b>	<b>32,847</b>	<b>56</b>	<b>-</b>	<b>56</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total other balances</b>	<b>201,021</b>	<b>168</b>	<b>-</b>	<b>168</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total</b>	<b>962,002</b>	<b>3,622</b>	<b>(1,187)</b>	<b>2,435</b>	<b>1,401</b>	<b>(206)</b>	<b>1,195</b>	

(1) Includes \$895 million of individually assessed provisions and \$292 million of collective provisions. Provisions for impaired assets include \$9 million for restructured assets in Stage 2.

(2) Write-off, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

## 9.2 Credit risk (continued)

### Impaired assets by industry and status (continued)

Group  
30 Jun 18

Industry	Total Balance \$M	Gross Impaired Assets \$M	Total Provisions for Impaired Assets <sup>(1)</sup> \$M	Net Impaired Assets \$M	Write-offs <sup>(2)</sup> \$M	Recoveries <sup>(2)</sup> \$M	Net Write-offs <sup>(2)</sup> \$M
<b>Loans - Australia</b>							
Sovereign	16,823	-	-	-	-	-	-
Agriculture	8,998	94	(56)	38	28	-	28
Bank and other financial	12,951	7	(16)	(9)	3	(1)	2
Home loans	451,367	1,256	(236)	1,020	126	(2)	124
Construction	3,028	16	(21)	(5)	13	-	13
Other personal	23,658	289	(171)	118	764	(165)	599
Asset financing	8,581	63	(16)	47	23	(5)	18
Other commercial and industrial	118,681	426	(343)	83	179	(14)	165
<b>Total loans - Australia</b>	<b>644,087</b>	<b>2,151</b>	<b>(859)</b>	<b>1,292</b>	<b>1,136</b>	<b>(187)</b>	<b>949</b>
<b>Loans - Overseas</b>							
Sovereign	1,571	-	-	-	-	-	-
Agriculture	9,930	365	(25)	340	3	-	3
Bank and other financial	7,075	9	-	9	5	-	5
Home loans	50,298	89	(5)	84	2	(1)	1
Construction	638	1	(1)	-	1	(1)	-
Other personal	1,844	11	(33)	(22)	65	(10)	55
Asset financing	457	4	-	4	-	-	-
Other commercial and industrial	32,129	407	(145)	262	207	(2)	205
<b>Total loans - Overseas</b>	<b>103,942</b>	<b>886</b>	<b>(209)</b>	<b>677</b>	<b>283</b>	<b>(14)</b>	<b>269</b>
<b>Total loans</b>	<b>748,029</b>	<b>3,037</b>	<b>(1,068)</b>	<b>1,969</b>	<b>1,419</b>	<b>(201)</b>	<b>1,218</b>
<b>Other balances - Australia</b>							
Credit commitments	145,820	75	-	75	-	-	-
Derivatives	24,021	3	-	3	-	-	-
<b>Total other balances - Australia</b>	<b>169,841</b>	<b>78</b>	<b>-</b>	<b>78</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other balances - Overseas</b>							
Credit commitments	29,376	15	-	15	-	-	-
Derivatives	8,112	49	-	49	-	-	-
<b>Total other balances - Overseas</b>	<b>37,488</b>	<b>64</b>	<b>-</b>	<b>64</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total other balances</b>	<b>207,329</b>	<b>142</b>	<b>-</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>955,358</b>	<b>3,179</b>	<b>(1,068)</b>	<b>2,111</b>	<b>1,419</b>	<b>(201)</b>	<b>1,218</b>

(1) Includes \$870 million of individually assessed provisions and \$198 million of collective provisions.

(2) Write-off, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

## 9.2 Credit risk (continued)

### Collateral held against loans, bills discounted and other receivables

	Group 30 Jun 19				
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Total <sup>(1)</sup>
<b>Maximum exposure (\$M)</b>	522,942	23,432	8,363	206,244	<b>760,981</b>
<b>Collateral classification:</b>					
Secured (%)	99.1	12.2	98.7	49.0	<b>83.4</b>
Partially secured (%)	0.9	-	1.3	15.7	<b>4.8</b>
Unsecured (%)	-	87.8	-	35.3	<b>11.8</b>

(1) As at 30 June 2019, total exposures in ECL Stage 3 were \$6,610 million. 60% of these exposures were secured, 26% partially secured and 14% unsecured.

	Group 30 Jun 18				
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Total
<b>Maximum exposure (\$M)</b>	501,665	25,502	9,038	211,824	748,029
<b>Collateral classification:</b>					
Secured (%)	99.1	12.4	99.4	44.7	81.2
Partially secured (%)	0.9	-	0.6	15.3	4.9
Unsecured (%)	-	87.6	-	40.0	13.9

	Bank 30 Jun 19				
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Total <sup>(1)</sup>
<b>Maximum exposure (\$M)</b>	460,031	21,497	7,900	176,306	<b>665,734</b>
<b>Collateral classification:</b>					
Secured (%)	99.0	13.0	98.4	46.5	<b>82.9</b>
Partially secured (%)	1.0	-	1.6	15.2	<b>4.6</b>
Unsecured (%)	-	87.0	-	38.3	<b>12.5</b>

(1) As at 30 June 2019, total exposures in ECL Stage 3 were \$5,809 million. 65% of these exposures were secured, 20% partially secured and 15% unsecured.

	Bank 30 Jun 18				
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Total
<b>Maximum exposure (\$M)</b>	444,583	23,633	8,531	184,120	660,867
<b>Collateral classification:</b>					
Secured (%)	99.1	13.4	99.2	40.7	79.6
Partially secured (%)	0.9	-	0.8	14.7	4.8
Unsecured (%)	-	86.6	-	44.6	15.6

For the purposes of the collateral classification above, home loans are classified as secured unless they are impaired in which case they are classified as partially secured. For other types of credit exposures, a facility is determined to be secured where its ratio of exposure to the estimated value of collateral (adjusted for lending margins) is less than or equal to 100%. A facility is deemed to be partly secured when this ratio exceeds 100% but not more than 250%, and unsecured when either no security is held (e.g. can include credit cards, personal loans, small business loans, and exposures to highly rated corporate entities), or where the secured loan to estimated value of collateral exceeds 250%.

#### Home loans

Home loans are generally secured by fixed charges over borrowers' residential properties. In limited circumstances, collateral in the form of cash or commercial property may be provided in addition to residential properties. Further, with the exception of some relatively small portfolios, for loans with a Loan to Valuation Ratio (LVR) of higher than 80% either a Low Deposit Premium or margin is levied, or Lenders Mortgage Insurance (LMI) is taken out to cover the difference between the principal plus interest owing and the net amount received from selling the collateral post default.

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## 9.2 Credit risk (continued)

### Collateral held against loans, bills discounted and other receivables (continued)

#### Personal lending

Personal lending (such as credit cards and personal loans) are predominantly unsecured, whilst margin lending is secured.

#### Asset finance

The Group leases assets to corporate and retail clients. When the title to the underlying assets is held by the Group as collateral, the balance is deemed fully secured. In other instances, a client's facilities may be secured by collateral valued at less than the carrying amount of the credit exposure. These facilities are deemed partly secured or unsecured.

#### Other commercial and industrial lending

The Group's main collateral types for other commercial and industrial lending consists of secured rights over specified assets of the borrower in the form of: commercial property; land rights; cash (usually in the form of a charge over a deposit); guarantees by company Directors; a charge over a company's assets (including debtors, inventory and work in progress); or a charge over shares. In other instances, a client's facilities may be secured by collateral with value less than the carrying amount of the credit exposure. These facilities are deemed partly secured or unsecured.

## 9.3 Market risk

### Market risk measurement

The Group uses Value-at-Risk (VaR) as one of the measures of Traded and Non-traded market risk. VaR measures potential loss using historically observed market movements and correlation between different markets.

VaR is modelled at a 97.5% confidence level. This means that there is a 97.5% probability that the loss will not exceed the VaR estimate on any given day.

The VaR measured for Traded market risk uses two years of daily movement in market rates. The VaR measure for Non-traded Banking Book market risk uses six years of daily movement in market rates. The VaR measure for the insurance business is a forward-looking measure based on ten thousand simulations, which are calibrated to current market conditions and past price movements.

A 1-day holding period is used for trading book positions. A 20-day holding period is used for Interest Rate Risk in the Banking Book, insurance business market risk and Non-traded equity risk.

VaR is driven by historical observations and is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses stress testing to measure the potential for economic loss at confidence levels significantly higher than 97.5%. Management then uses these results in decisions to manage the economic impact of market risk positions.

	Average June 2019 <sup>(1)</sup>	As at June 2019	Average June 2018 <sup>(1)</sup>	As at June 2018
<b>Total Market Risk VaR (1-day 97.5% confidence)</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Traded Market Risk	9.9	9.5	11.1	13.3
Non-Traded Interest Rate Risk <sup>(2)</sup>	36.7	36.3	43.1	37.6
Non-Traded Equity Risk <sup>(2)</sup>	4.9	5.0	5.3	4.7
Non-Traded Insurance Market Risk <sup>(2)</sup>	5.1	5.6	5.4	5.6

(1) Average VaR calculated for each 12 month period.

(2) The risk of these exposures has been represented in this table using a one day holding period. In practice however, these 'non-traded' exposures are managed to a longer holding period.

### Traded market risk

Traded market risk is generated through the Group's participation in financial markets to service its customers. The Group trades and distributes interest rate, foreign exchange, debt, equity and commodity products, and provides treasury, capital markets and risk management services to its customers globally.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury, capital market and risk management instruments, including a broad range of securities and derivatives.

	Average June 2019 <sup>(1)</sup>	As at June 2019	Average June 2018 <sup>(1)</sup>	As at June 2018
<b>Traded Market Risk VaR (1-day 97.5% confidence)</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Interest rate risk	7.6	9.0	8.4	12.5
Foreign exchange risk	1.9	3.6	2.2	2.7
Equities risk	0.1	0.1	0.2	0.1
Commodities risk	3.1	3.3	3.2	3.6
Credit spread risk	1.7	1.3	2.0	1.4
Diversification benefit	(6.9)	(10.0)	(7.7)	(9.4)
Total general market risk	7.5	7.3	8.3	10.9
Undiversified risk	2.2	2.1	2.5	2.3
ASB Bank	0.2	0.1	0.3	0.1
Total	9.9	9.5	11.1	13.3

(1) Average VaR calculated for each 12 month period.

### Non-traded market risk

#### Interest rate risk in the banking book

Interest rate risk is the current and prospective impact to the Group's financial condition due to adverse changes in interest rates to which the Group's Balance Sheet is exposed. The maturity transformation activities of the Group create mismatches in the repricing terms of assets and liabilities positions. These mismatches may have undesired earnings and value outcomes depending on the interest rate movements. The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long-term.

The Group measures and manages the impact of interest rate risk in two ways:

#### (a) Next 12 months' earnings

Interest rate risk from an earnings perspective is the impact based on changes to the net interest income over the next 12 months.

The risk to net interest income over the next 12 months from changes in interest rates is measured on a monthly basis.

Earnings risk is measured through sensitivity analysis, which applies an instantaneous 100 basis point parallel shock in interest rates across the yield curve.

The prospective change to the net interest income is measured by using an Asset and Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change in the Balance Sheet product mix, growth, funding and pricing strategies is incorporated.

Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied.

## 9.3 Market risk (continued)

### Non-Traded Market Risk (continued)

#### Interest rate risk in the banking book (continued)

Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Group and repricing behaviours of customers. In addition to considering how the products have been repriced in the past the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analysis.

The figures in the following table represent the potential unfavourable change to the Group's net interest earnings during the year based on a 100 basis point parallel rate shock.

Net Interest Earnings at Risk		June 2019 <sup>(1)</sup>	June 2018
		\$M	\$M
Average monthly exposure	AUD	421.9	229.2
	NZD <sup>(2)</sup>	8.0	23.3
High monthly exposure	AUD	558.0	311.5
	NZD <sup>(2)</sup>	15.5	44.3
Low monthly exposure	AUD	217.8	120.2
	NZD <sup>(2)</sup>	1.1	4.3
As at balance date	AUD	450.3	231.4
	NZD <sup>(2)</sup>	8.3	10.5

(1) Exposures over a 12 month period. NZD exposures are presented in NZD.

(2) Net interest earnings at risk for NZD decreased during the period due to an update to products classified as sensitive to interest rate changes.

#### (b) Economic value

Interest rate risk from the economic value perspective is based on a 20-day 97.5% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long-term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the VaR methodology.

A 20-day 97.5% VaR measure is used to capture the net economic value impact over the long-term or total life of all Balance Sheet assets and liabilities to adverse changes in interest rates.

The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

Non-Traded Interest Rate VaR (20 day 97.5% confidence) <sup>(2)</sup>		Average June 2019 <sup>(1)</sup>	Average June 2018 <sup>(1)</sup>
		\$M	\$M
AUD Interest rate risk		164.1	192.9
NZD Interest rate risk <sup>(3)</sup>		2.2	3.3

(1) Average VaR calculated for each 12 month period.

(2) VaR is only for entities that have material risk exposure.

(3) ASB data (expressed in NZD) is for the month-end date.

### Non-traded equity risk

The Group retains Non-Traded equity risk primarily through business activities in Wealth Management.

A 20-day, 97.5% confidence VaR is used to measure the economic impact of adverse changes in value.

Non-Traded Equity VaR (20 day 97.5% confidence)		As at June 2019	As at June 2018
		\$M	\$M
VaR		22.4	21.2

### Market risk in insurance businesses

There are two main sources of market risk in the life insurance businesses: (i) market risk arising from guarantees made to policyholders; and (ii) market risk arising from the investment of Shareholders' capital.

#### Guarantees (to policyholders)

All financial assets within the life Insurance Statutory Funds directly support either the Group's life insurance or life investment contracts. Market risk arises for the Group on contracts where the liabilities to policyholders are guaranteed by the Group. The Group manages this risk by having an asset and liability management framework which includes the use of hedging instruments. The Group also monitors the risk on a monthly basis.

#### Shareholders' capital

A portion of financial assets held within the Insurance business, both within the Statutory Funds and in the Shareholder Funds of the life insurance company represents shareholder (Group) capital. Market risk also arises for the Group on the investment of this capital. Shareholders' funds in the Australian life insurance businesses are invested 99% in income assets (cash and fixed interest) and 1% in growth assets as at 30 June 2019.

A 20-day 97.5% VaR measure is used to capture the Non-traded market risk exposures.

Non-Traded VaR in Australian Life Insurance Business <sup>(1)</sup> (20 day 97.5% confidence)		Average June 2019 <sup>(2)</sup>	Average June 2018 <sup>(2)</sup>
		\$M	\$M
Shareholder funds <sup>(3)</sup>		1.1	1.1
Guarantees (to Policyholders) <sup>(4)</sup>		22.8	23.6

(1) On 21 September 2017, the Group announced the sale of 100% of its Australian life insurance business (CommInsure Life) to AIA. CommInsure Life is presented as a discontinued operation with assets and liabilities reclassified as held for sale as at 30 June 2019 and 30 June 2018. For further details, see Note 11.3.

(2) Average VaR calculated for each 12 month period.

(3) VaR in relation to the investment of shareholder funds.

(4) VaR in relation to product portfolios where the Group has guaranteed liabilities to policyholders.

## 9.3 Market risk (continued)

### Structural foreign exchange risk

Structural foreign exchange risk is the risk that movements in foreign exchange rates may have an adverse effect on the Group's Australian dollar earnings and economic value when the Group's foreign currency denominated earnings and capital are translated into Australian dollars. The Group's only material exposure to this risk arises from its New Zealand banking and insurance, Asian and US operations.

### Lease residual value risk

The Group takes lease residual value risk on assets such as industrial, mining, rail, aircraft, marine, technology, healthcare and other equipment. A lease residual value guarantee exposes the Group to the movement in second-hand prices of these assets.

### Commonwealth Bank Group Super Fund

The Commonwealth Bank Group Super Fund (the Fund) has a defined benefit portion that creates market risk for the Group.

Risk Management and Human Resources provide oversight of the market risks of the Fund held and managed on behalf of the employees receiving defined benefit pension funds on behalf of the Group (refer to Note 10.2).

## 9.4 Liquidity and funding risk

### Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due by ensuring it is able to borrow funds on an unsecured basis, has sufficient liquid assets to borrow against on a secured basis, or sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

### Liquidity and funding risk management framework

The CBA Board is ultimately responsible for the sound and prudent management of liquidity risk across the Group. The Group's liquidity and funding policies, structured under a formal Group Liquidity and Funding Risk Management Framework, are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee (ALCO) the charter of which includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's liquidity policies and has ultimate authority to execute liquidity decisions should the Group Contingent Funding Plan be activated. Group Risk Management provides oversight of the Group's liquidity and funding risks and compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Colonial Holding Company Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank, manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the Reserve Bank of New Zealand.

### Liquidity and funding policies and management

The Group's liquidity and funding policies provide that:

- An excess of liquid assets over the minimum prescribed under APRA's Liquidity Coverage Ratio (LCR) requirement is maintained. Australian ADIs are required to meet a 100% LCR, calculated as the ratio of high quality liquid assets to 30 day net cash outflows projected under a prescribed stress scenario;
- A surplus of stable funding from various sources, as measured by APRA's Net Stable Funding Ratio (NSFR), is maintained. The NSFR is calculated by applying APRA prescribed factors to assets and liabilities to determine a ratio of required stable funding to available stable funding which must be greater than 100%;
- Additional internal funding and liquidity metrics are also calculated and stress tests additional to the LCR are run;
- Short and long-term wholesale funding limits are established, monitored and reviewed regularly;
- The Group's wholesale funding market capacity is regularly assessed and used as a factor in funding strategies;
- Balance Sheet assets that cannot be liquidated quickly are funded with stable deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government securities. The second includes Negotiable Certificates of Deposit, bank bills, bank term securities, supranational bonds, Australian Residential Mortgage-backed Securities (RMBS) and securities that meet certain Reserve Bank of Australia (RBA) criteria for purchases under reverse repo. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA under stress; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets to meet required obligations.



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## 9.4 Liquidity and funding risk (continued)

### Liquidity and funding policies and management (continued)

The Group's key funding tools include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Its small business customer and institutional deposit base; and
- Its wholesale international and domestic funding programs which include its Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper programs; US Extendible Notes programs; Australian dollar Domestic Debt Program; U.S.144a and 3a2 Medium-Term Note Programs; Euro Medium-Term Note Program; multi jurisdiction Covered Bond program; and its Medallion securitisation program.

The Group's key liquidity tools include:

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

## 9.4 Liquidity and funding risk (continued)

### Maturity analysis of monetary liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	Maturity Period as at 30 June 2019					Group
	0 to 3 Months \$M	3 to 12 Months \$M	1 to 5 Years \$M	Over 5 Years \$M	Not Specified \$M	Total \$M
<b>Monetary liabilities</b>						
Deposits and other public borrowings <sup>(1)</sup>	524,555	105,532	6,903	676	-	637,666
Payables due to other financial institutions	19,486	3,902	41	-	-	23,429
Liabilities at fair value through Income Statement	4,590	2,299	621	1,244	-	8,754
Derivative financial instruments:						
Held for trading	17,925	-	-	-	-	17,925
Held for hedging purposes (net-settled)	59	293	829	714	-	1,895
Held for hedging purposes (gross-settled):						
Outflows	2,391	14,346	35,918	26,791	-	79,446
Inflows	(2,264)	(13,642)	(34,332)	(26,250)	-	(76,488)
Bank acceptances	32	-	-	-	-	32
Insurance policy liabilities	-	-	-	-	-	-
Debt issues and loan capital	17,913	36,163	89,164	53,483	-	196,723
Managed funds units on issue	-	-	-	-	-	-
Other monetary liabilities	5,657	374	495	58	-	6,584
Liabilities held for sale	561	169	956	491	13,052	15,229
<b>Total monetary liabilities</b>	<b>590,905</b>	<b>149,436</b>	<b>100,595</b>	<b>57,207</b>	<b>13,052</b>	<b>911,195</b>
Guarantees <sup>(2)</sup>	6,506	-	-	-	-	6,506
Loan commitments <sup>(2)</sup>	162,202	-	-	-	-	162,202
Other commitments <sup>(2)</sup>	7,098	-	-	-	-	7,098
<b>Total off Balance Sheet items</b>	<b>175,806</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>175,806</b>
<b>Total monetary liabilities and off Balance Sheet items</b>	<b>766,711</b>	<b>149,436</b>	<b>100,595</b>	<b>57,207</b>	<b>13,052</b>	<b>1,087,001</b>

	Maturity Period as at 30 June 2018					Group <sup>(3)</sup>
	0 to 3 Months \$M	3 to 12 Months \$M	1 to 5 Years \$M	Over 5 Years \$M	Not Specified \$M	Total \$M
<b>Monetary liabilities</b>						
Deposits and other public borrowings <sup>(1)</sup>	502,021	103,788	17,587	489	-	623,885
Payables due to other financial institutions	18,064	2,827	-	44	-	20,935
Liabilities at fair value through Income Statement	6,622	1,747	524	1,441	-	10,334
Derivative financial instruments:						
Held for trading	21,771	-	-	-	-	21,771
Held for hedging purposes (net-settled)	19	155	1,238	838	-	2,250
Held for hedging purposes (gross-settled):						
Outflows	644	13,185	34,427	20,938	-	69,194
Inflows	(614)	(11,825)	(32,652)	(19,651)	-	(64,742)
Bank acceptances	331	48	-	-	-	379
Insurance policy liabilities	-	-	-	-	451	451
Debt issues and loan capital	18,597	43,784	96,080	46,296	-	204,757
Managed funds units on issue	-	-	-	-	-	-
Other monetary liabilities	6,582	903	96	23	-	7,604
Liabilities held for sale	182	572	274	143	12,886	14,057
<b>Total monetary liabilities</b>	<b>574,219</b>	<b>155,184</b>	<b>117,574</b>	<b>50,561</b>	<b>13,337</b>	<b>910,875</b>
Guarantees <sup>(2)</sup>	6,265	-	-	-	-	6,265
Loan commitments <sup>(2)</sup>	162,090	-	-	-	-	162,090
Other commitments <sup>(2)</sup>	6,841	-	-	-	-	6,841
<b>Total off Balance Sheet items</b>	<b>175,196</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>175,196</b>
<b>Total monetary liabilities and off Balance Sheet items</b>	<b>749,415</b>	<b>155,184</b>	<b>117,574</b>	<b>50,561</b>	<b>13,337</b>	<b>1,086,071</b>

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. These accounts provide a stable source of long-term funding.

(2) All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

(3) Comparative information has been restated to conform to presentation in the current year.

## 9.4 Liquidity and funding risk (continued)

### Maturity analysis of monetary liabilities (continued)

	Maturity Period as at 30 June 2019					Bank
	0 to 3 Months \$M	3 to 12 Months \$M	1 to 5 Years \$M	Over 5 Years \$M	Not Specified \$M	Total \$M
<b>Monetary liabilities</b>						
Deposits and other public borrowings <sup>(1)</sup>	483,254	86,453	4,781	594	-	575,082
Payables due to other financial institutions	18,734	3,902	41	-	-	22,677
Liabilities at fair value through Income Statement	4,588	1,736	621	1,244	-	8,189
Derivative financial instruments:						
Held for trading	20,732	-	-	-	-	20,732
Held for hedging purposes (net-settled)	19	167	917	697	-	1,800
Held for hedging purposes (gross-settled):						
Outflows	1,846	13,444	41,604	31,830	-	88,724
Inflows	(1,744)	(12,767)	(39,565)	(30,526)	-	(84,602)
Bank acceptances	32	-	-	-	-	32
Debt issues and loan capital	16,603	30,046	70,125	45,362	-	162,136
Due to controlled entities	5,196	6,311	24,499	69,768	-	105,774
Other monetary liabilities	5,539	335	458	55	-	6,387
<b>Total monetary liabilities</b>	<b>554,799</b>	<b>129,627</b>	<b>103,481</b>	<b>119,024</b>	<b>-</b>	<b>906,931</b>
Guarantees <sup>(2)</sup>	6,026	-	-	-	-	6,026
Loan commitments <sup>(2)</sup>	146,483	-	-	-	-	146,483
Other commitments <sup>(2)</sup>	6,944	-	-	-	-	6,944
<b>Total off Balance Sheet items</b>	<b>159,453</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>159,453</b>
<b>Total monetary liabilities and off Balance Sheet items</b>	<b>714,252</b>	<b>129,627</b>	<b>103,481</b>	<b>119,024</b>	<b>-</b>	<b>1,066,384</b>

	Maturity Period as at 30 June 2018					Bank <sup>(3)</sup>
	0 to 3 Months \$M	3 to 12 Months \$M	1 to 5 Years \$M	Over 5 Years \$M	Not Specified \$M	Total \$M
<b>Monetary liabilities</b>						
Deposits and other public borrowings <sup>(1)</sup>	464,588	88,005	14,496	468	-	567,557
Payables due to other financial institutions	17,197	2,808	-	44	-	20,049
Liabilities at fair value through Income Statement	5,480	1,747	524	1,441	-	9,192
Derivative financial instruments:						
Held for trading	24,026	-	-	-	-	24,026
Held for hedging purposes (net-settled)	11	47	996	822	-	1,876
Held for hedging purposes (gross-settled):						
Outflows	644	17,173	34,868	22,579	-	75,264
Inflows	(614)	(15,189)	(33,192)	(21,302)	-	(70,297)
Bank acceptances	331	48	-	-	-	379
Debt issues and loan capital	15,333	37,730	78,067	39,379	-	170,509
Due to controlled entities	6,174	6,070	24,411	68,672	-	105,327
Other monetary liabilities	6,274	779	65	10	-	7,128
<b>Total monetary liabilities</b>	<b>539,444</b>	<b>139,218</b>	<b>120,235</b>	<b>112,113</b>	<b>-</b>	<b>911,010</b>
Guarantees <sup>(2)</sup>	5,835	-	-	-	-	5,835
Loan commitments <sup>(2)</sup>	147,098	-	-	-	-	147,098
Other commitments <sup>(2)</sup>	6,673	-	-	-	-	6,673
<b>Total off Balance Sheet items</b>	<b>159,606</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>159,606</b>
<b>Total monetary liabilities and off Balance Sheet items</b>	<b>699,050</b>	<b>139,218</b>	<b>120,235</b>	<b>112,113</b>	<b>-</b>	<b>1,070,616</b>

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. These accounts provide a stable source of long-term funding.

(2) All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

(3) Comparative information has been restated to conform to presentation in the current year.

## 9.5 Disclosures about fair values

### Fair value hierarchy for financial assets and liabilities measured at fair value

The classification in the fair value hierarchy of the Group's and the Bank's financial assets and liabilities measured at fair value is presented in the tables below. An explanation of how fair values are calculated and the levels in the fair value hierarchy are included in the accounting policy within this note.

	Fair Value as at 30 June 2019				Fair Value as at 30 June 2018				Group
	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M	
<b>Financial assets measured at fair value on a recurring basis</b>									
Assets at fair value through Income Statement:									
Trading	24,599	7,907	-	32,506	22,078	10,176	-	32,254	
Insurance <sup>(1)</sup>	-	-	-	-	-	372	-	372	
Other	319	852	-	1,171	49	209	-	258	
Derivative assets	59	25,072	84	25,215	42	31,998	93	32,133	
Investment securities at fair value through Other Comprehensive Income	77,193	1,666	53	78,912	-	-	-	-	
Available-for-sale investments	-	-	-	-	74,234	7,941	65	82,240	
Bills discounted	-	-	-	-	4,280	-	-	4,280	
Assets held for sale <sup>(1)</sup>	934	7,631	2,339	10,904	2,012	8,061	1,818	11,891	
<b>Total financial assets measured at fair value</b>	<b>103,104</b>	<b>43,128</b>	<b>2,476</b>	<b>148,708</b>	<b>102,695</b>	<b>58,757</b>	<b>1,976</b>	<b>163,428</b>	
<b>Financial liabilities measured at fair value on a recurring basis</b>									
Liabilities at fair value through Income Statement	1,583	6,937	-	8,520	1,724	8,523	-	10,247	
Derivative liabilities	132	22,579	66	22,777	57	28,075	340	28,472	
Life investment contracts <sup>(1)</sup>	-	-	-	-	-	337	-	337	
Liabilities held for sale <sup>(1)</sup>	3	6,325	496	6,824	5	6,985	353	7,343	
<b>Total financial liabilities measured at fair value</b>	<b>1,718</b>	<b>35,841</b>	<b>562</b>	<b>38,121</b>	<b>1,786</b>	<b>43,920</b>	<b>693</b>	<b>46,399</b>	

(1) As at 30 June 2019, assets and liabilities of CommInsure Life, CFSGAM, PT Commonwealth Life, Count Financial and the Group's investment in BoCommLife are presented as held for sale. As at 30 June 2018, assets and liabilities of CommInsure Life, Sovereign and the Group's investment in BoCommLife are presented as held for sale.

## 9.5 Disclosures about fair values (continued)

### Fair value hierarchy for financial assets and liabilities measured at fair value (continued)

	Fair Value as at 30 June 2019				Fair Value as at 30 June 2018				Bank
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	
<b>Financial assets measured at fair value on a recurring basis</b>									
Assets at fair value through Income Statement:									
Trading	24,569	7,907	-	<b>32,476</b>	20,813	9,180	-	29,993	
Other	-	652	-	<b>652</b>	-	-	-	-	
Derivative assets	56	24,171	84	<b>24,311</b>	41	30,751	93	30,885	
Investment securities at fair value through Other Comprehensive Income	72,479	680	53	<b>73,212</b>	-	-	-	-	
Available-for-sale investments	-	-	-	-	69,988	7,678	65	77,731	
Bills discounted	-	-	-	-	4,280	-	-	4,280	
<b>Total financial assets measured at fair value</b>	<b>97,104</b>	<b>33,410</b>	<b>137</b>	<b>130,651</b>	<b>95,122</b>	<b>47,609</b>	<b>158</b>	<b>142,889</b>	
<b>Financial liabilities measured at fair value on a recurring basis</b>									
Liabilities at fair value through Income Statement	1,583	6,378	-	<b>7,961</b>	1,724	7,382	-	9,106	
Derivative liabilities	132	26,456	66	<b>26,654</b>	57	30,474	340	30,871	
<b>Total financial liabilities measured at fair value</b>	<b>1,715</b>	<b>32,834</b>	<b>66</b>	<b>34,615</b>	<b>1,781</b>	<b>37,856</b>	<b>340</b>	<b>39,977</b>	

## 9.5 Disclosures about fair values (continued)

### Analysis of movements between fair value hierarchy levels

During the year ended 30 June 2018, \$1,722 million of trading securities were reclassified from Level 2 to Level 1 due to changes in the observability of inputs. The tables below summarise movements in Level 3 balance during the year. Transfers have been reflected as if they had taken place at the end of the reporting periods. Transfers in and out of Level 3 were due to changes in the observability of inputs.

#### Level 3 movement analysis for the year ended 30 June 2019

	Financial Assets					Financial Liabilities			Group
	Insurance Assets	Derivative Assets	Investment Securities at Fair Value through OCI	Available for Sale Investments	Assets held for Sale <sup>(1)</sup>	Derivative Liabilities	Life Investment Contracts	Liabilities held for Sale <sup>(1)</sup>	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>As at 1 July 2017</b>	1,530	67	-	139	-	(102)	(565)	-	
Purchases	618	-	-	-	-	-	-	-	
Sales/(settlements) <sup>(2)</sup>	(208)	(18)	-	(100)	-	14	212	-	
Gains/(losses) in the year:									
Recognised in the Income Statement	(122)	(15)	-	-	-	(144)	-	-	
Recognised in the Statement of Comprehensive Income	-	-	-	-	-	-	-	-	
Transfers in	-	59	-	26	1,818	(108)	-	(353)	
Transfers out	(1,818)	-	-	-	-	-	353	-	
<b>As at 30 June 2018</b>	-	93	-	65	1,818	(340)	-	(353)	
<b>Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2018</b>	(103)	(15)	-	-	-	(144)	-	-	
<b>As at 1 July 2018</b>	-	93	-	65	1,818	(340)	-	(353)	
Changes on adoption of new accounting standard <sup>(3)</sup>	-	-	65	(65)	-	-	-	-	
Purchases	-	15	-	-	499	-	-	-	
Sales/(settlements)	-	-	(8)	-	-	-	-	-	
Gains/(losses) in the year:									
Recognised in the Income Statement	-	(5)	-	-	22	198	-	-	
Recognised in the Statement of Comprehensive Income	-	-	(4)	-	-	-	-	-	
Transfers in	-	-	-	-	-	-	-	(143)	
Transfers out	-	(19)	-	-	-	76	-	-	
<b>As at 30 June 2019</b>	-	84	53	-	2,339	(66)	-	(496)	
<b>Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2019</b>	-	22	-	-	22	175	-	-	

(1) As at 30 June 2019, assets and liabilities of CommInsure Life, CFSGAM, PT Commonwealth Life, Count Financial and the Group's investment in BoCommLife are presented as held for sale. As at 30 June 2018, assets and liabilities of CommInsure Life, Sovereign and the Group's investment in BoCommLife were presented as held for sale.

(2) Sales/ settlements includes the impact of changing fund ownership percentage held via the Group's life insurance operations.

(3) Current year balances reflect the adoption of AASB 9 'Financial Instruments' on 1 July 2018. As permitted by AASB 9 comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1. Level 3 available-for-sale securities were reclassified to Investment securities measured at fair value through other comprehensive income on adoption of AASB 9 on 1 July 2018.

## 9.5 Disclosures about fair values (continued)

### Analysis of movements between fair value hierarchy levels (continued)

#### Level 3 movement analysis for the year ended 30 June 2019 (continued)

The valuation of insurance assets directly impacts the life investment contracts they are backing. The Group's exposure to other financial instruments measured at fair value based in full or in part on non-market observable inputs is restricted to a small number of financial instruments, which comprise an insignificant component of the portfolios to which they belong. As such, changes in fair value assumptions on all these instruments due to size or backing by policy holder funds generally have minimal impact on the Group's Income Statement and Shareholders' Equity.

	Financial Assets			Bank Financial Liabilities
	Derivative Assets	Investment Securities at Fair Value through OCI	Available for Sale Investments	Derivative Liabilities
	\$M	\$M	\$M	\$M
<b>As at 1 July 2017</b>	67	-	139	(103)
Purchases	-	-	-	-
Sales/(settlements)	(18)	-	(100)	15
Gains/(losses) in the period:				
Recognised in the Income Statement	(15)	-	-	(144)
Recognised in the Statement of Comprehensive Income	-	-	-	-
Transfers in	59	-	26	(108)
Transfers out	-	-	-	-
<b>As at 30 June 2018</b>	93	-	65	(340)
<b>Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2018</b>	(15)	-	-	(144)
<b>As at 1 July 2018</b>	93	-	65	(340)
Changes on adoption of new accounting standard <sup>(1)</sup>	-	65	(65)	-
Purchases	15	-	-	-
Sales/(settlements)	-	(8)	-	-
Gains/(losses) in the period:				
Recognised in the Income Statement	(5)	-	-	198
Recognised in the Statement of Comprehensive Income	-	(4)	-	-
Transfers in	-	-	-	-
Transfers out	(19)	-	-	76
<b>As at 30 June 2019</b>	84	53	-	(66)
<b>Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2019</b>	22	-	-	175

(1) Current year balances reflect the adoption of AASB 9 'Financial Instruments' on 1 July 2018. As permitted by AASB 9 comparative information has not been restated. For details on the adoption of AASB 9 refer to Note 1.1. Level 3 available-for-sale securities were reclassified to Investment securities measured at fair value through other comprehensive income on adoption of AASB 9 on 1 July 2018.

## 9.5 Disclosures about fair values (continued)

### Fair value information for financial instruments not measured at fair value

The estimated fair values and fair value hierarchy of the Group's and the Bank's financial instruments not measured at fair value are presented below:

					Group 30 Jun 19
	Carrying value	Fair value			Total \$M
	Total \$M	Level 1 \$M	Level 2 \$M	Level 3 \$M	
<b>Financial assets not measured at fair value on a recurring basis</b>					
Cash and liquid assets	29,387	16,655	12,732	-	29,387
Receivables due from other financial institutions	8,093	-	8,093	-	8,093
Investment securities at amortised cost	7,355	-	7,330	15	7,345
Loans and other receivables	755,141	-	-	755,515	755,515
Bank acceptances of customers	32	32	-	-	32
Other assets	5,431	1,893	3,532	6	5,431
Assets held for sale	699	354	326	19	699
<b>Total financial assets</b>	<b>806,138</b>	<b>18,934</b>	<b>32,013</b>	<b>755,555</b>	<b>806,502</b>
<b>Financial liabilities not measured at fair value on a recurring basis</b>					
Deposits and other public borrowings	636,040	-	636,465	18	636,483
Payables due to other financial institutions	23,370	-	23,370	-	23,370
Bank acceptances	32	32	-	-	32
Debt issues	163,990	-	164,295	-	164,295
Bills payable and other liabilities	8,236	2,414	5,822	-	8,236
Loan capital	22,966	9,477	14,168	-	23,645
Liabilities held for sale	3,963	-	1,831	2,132	3,963
<b>Total financial liabilities</b>	<b>858,597</b>	<b>11,923</b>	<b>845,951</b>	<b>2,150</b>	<b>860,024</b>
<b>Financial guarantees, loan commitments and other off Balance Sheet instruments</b>	<b>171,084</b>	<b>-</b>	<b>-</b>	<b>171,084</b>	<b>171,084</b>



## 9.5 Disclosures about fair values (continued)

### Fair value information for financial instruments not measured at fair value (continued)

Group  
30 Jun 18

	Carrying value	Fair value			Total
	Total \$M	Level 1 \$M	Level 2 \$M	Level 3 \$M	
<b>Financial assets not measured at fair value on a recurring basis</b>					
Cash and liquid assets	36,417	22,896	13,521	-	36,417
Receivables due from other financial institutions	9,222	-	9,222	-	9,222
Loans and other receivables	739,085	-	-	739,545	739,545
Bank acceptances of customers	379	379	-	-	379
Other assets	5,455	1,823	3,630	2	5,455
Assets held for sale	192	107	85	-	192
<b>Total financial assets</b>	<b>790,750</b>	<b>25,205</b>	<b>26,458</b>	<b>739,547</b>	<b>791,210</b>
<b>Financial liabilities not measured at fair value on a recurring basis</b>					
Deposits and other public borrowings	622,234	-	622,327	-	622,327
Payables due to other financial institutions	20,899	-	20,899	-	20,899
Bank acceptances	379	379	-	-	379
Debt issues	172,294	-	173,895	-	173,895
Bills payable and other liabilities <sup>(1)</sup>	9,326	2,459	6,867	-	9,326
Loan capital	22,992	9,566	14,131	-	23,697
Liabilities held for sale	2,621	13	923	1,685	2,621
<b>Total financial liabilities</b>	<b>850,745</b>	<b>12,417</b>	<b>839,042</b>	<b>1,685</b>	<b>853,144</b>
<b>Financial guarantees, loan commitments and other off Balance Sheet instruments</b>	<b>170,586</b>	<b>-</b>	<b>-</b>	<b>170,586</b>	<b>170,586</b>

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

## 9.5 Disclosures about fair values (continued)

### Fair value information for financial instruments not measured at fair value (continued)

Bank  
30 Jun 19

	Carrying value	Fair value			Total
	Total \$M	Level 1 \$M	Level 2 \$M	Level 3 \$M	
<b>Financial assets not measured at fair value on a recurring basis</b>					
Cash and liquid assets	26,912	15,534	11,378	-	26,912
Receivables due from other financial institutions	7,334	-	7,334	-	7,334
Investment securities at amortised cost	7,349	-	7,340	9	7,349
Loans and other receivables	660,476	-	-	660,660	660,660
Bank acceptances of customers	32	32	-	-	32
Loans to controlled entities	120,193	-	-	113,029	113,029
Other assets	4,158	1,324	2,829	5	4,158
<b>Total financial assets</b>	<b>826,454</b>	<b>16,890</b>	<b>28,881</b>	<b>773,703</b>	<b>819,474</b>
<b>Financial liabilities not measured at fair value on a recurring basis</b>					
Deposits and other public borrowings	573,851	-	574,164	18	574,182
Payables due to other financial institutions	22,618	-	22,618	-	22,618
Bank acceptances	32	32	-	-	32
Due to controlled entities	105,774	-	-	105,774	105,774
Debt issues	131,062	-	132,071	-	132,071
Bills payable and other liabilities	6,403	1,774	4,629	-	6,403
Loan capital	22,569	9,483	13,764	-	23,247
<b>Total financial liabilities</b>	<b>862,309</b>	<b>11,289</b>	<b>747,246</b>	<b>105,792</b>	<b>864,327</b>
<b>Financial guarantees, loan commitments and other off Balance Sheet instruments</b>	<b>154,731</b>	<b>-</b>	<b>-</b>	<b>154,731</b>	<b>154,731</b>

## 9.5 Disclosures about fair values (continued)

Fair value information for financial instruments not measured at fair value (continued)

Bank  
30 Jun 18

	Carrying value	Fair value			Total \$M
	Total \$M	Level 1 \$M	Level 2 \$M	Level 3 \$M	
<b>Financial assets not measured at fair value on a recurring basis</b>					
Cash and liquid assets	33,581	21,351	12,230	-	33,581
Receivables due from other financial institutions	8,376	-	8,376	-	8,376
Loans and other receivables	652,370	-	-	652,794	652,794
Bank acceptances of customers	379	379	-	-	379
Loans to controlled entities	106,431	-	-	106,509	106,509
Other assets	4,717	1,398	3,317	2	4,717
<b>Total financial assets</b>	<b>805,854</b>	<b>23,128</b>	<b>23,923</b>	<b>759,305</b>	<b>806,356</b>
<b>Financial liabilities not measured at fair value on a recurring basis</b>					
Deposits and other public borrowings	566,200	-	566,200	-	566,200
Payables due to other financial institutions	20,014	-	20,014	-	20,014
Bank acceptances	379	379	-	-	379
Due to controlled entities	105,327	-	-	105,309	105,309
Debt issues	139,984	-	142,064	-	142,064
Bills payable and other liabilities <sup>(1)</sup>	7,455	1,942	5,513	-	7,455
Loan capital	22,249	9,561	13,373	-	22,934
<b>Total financial liabilities</b>	<b>861,608</b>	<b>11,882</b>	<b>747,164</b>	<b>105,309</b>	<b>864,355</b>
<b>Financial guarantees, loan commitments and other off balance sheet instruments</b>	<b>155,012</b>	<b>-</b>	<b>-</b>	<b>155,012</b>	<b>155,012</b>

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

## 9.5 Disclosures about fair values (continued)

### Accounting policies

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#### Valuation

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. Assets and long positions are measured at a quoted bid price; liabilities and short positions are measured at a quoted asking price. Where the Group has positions with offsetting market risks, mid-market prices are used to measure the offsetting risk positions and a quoted bid or asking price adjustment is applied only to the net open position as appropriate.

Non-market quoted financial instruments are mostly valued using valuation techniques based on observable inputs except where observable market data is unavailable. Where market data is unavailable the financial instrument is initially recognised at the transaction price, which is generally the best indicator of fair value. This may differ from the value obtained from the valuation model. The timing of the recognition in the Income Statement of this initial difference in fair value depends on the individual facts and circumstances of each transaction, but is never later than when the market data becomes observable. The difference may be either amortised over the life of the transaction, recognised when the inputs become observable or on derecognition of the instrument, as appropriate.

The fair value of Over-the-Counter (OTC) derivatives includes credit valuation adjustments (CVA) for derivative assets to reflect the credit worthiness of the counterparty. Fair value of uncollateralised derivative assets and uncollateralised derivative liabilities incorporate funding valuation adjustments (FVA) to reflect funding costs and benefits to the Group. These adjustments are applied after considering any relevant collateral or master netting arrangements.

#### Fair value hierarchy

The Group utilises various valuation techniques and applies a hierarchy for valuation inputs that maximise the use of observable market data, if available.

Under AASB 13 'Fair Value Measurement' all financial and non-financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:

##### Quoted Prices in Active Markets – Level 1

This category includes assets and liabilities for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial instruments included in this category are liquid government bonds, financial institution and corporate bonds, certificates of deposit, bank bills, listed equities and exchange traded derivatives.

##### Valuation technique using observable inputs – Level 2

This category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are commercial papers, mortgage-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and FX options.

##### Valuation technique using significant unobservable inputs – Level 3

This category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility. Financial instruments included in this category for the Group and Bank are assets backing insurance liabilities held through infrastructure funds, certain exotic OTC derivatives and certain asset-backed securities valued using unobservable inputs.

## 9.5 Disclosures about fair values (continued)

### Accounting policies (continued)

#### Critical accounting judgements and estimates

Valuation techniques are used to estimate the fair value of securities. When using valuation techniques the Group makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that the Group believes market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Data inputs that the Group relies upon when valuing financial instruments relate to counterparty credit risk, volatility, correlation and extrapolation.

Periodically, the Group calibrates its valuation techniques and tests them for validity using prices from any observable current market transaction in the same instruments (i.e. without modification or repackaging) and any other available observable market data.

## 9.6 Collateral arrangements

#### Collateral accepted as security for assets

The Group takes collateral where it is considered necessary to support both on and off Balance Sheet financial instruments. The Group evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, is based on management's credit evaluation of the counterparty. The Group has the right to sell, re-pledge, or otherwise use some of the collateral received. At Balance Sheet date the carrying value of cash accepted as collateral (and recognised on the Group's and the Bank's Balance Sheets) and the fair value of securities accepted as collateral (but not recognised on the Group's or the Bank's Balance Sheets) were as follows:

	Group		Bank	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Cash	6,147	6,884	5,568	6,155
Securities	12,732	13,520	11,379	12,230
<b>Collateral held</b>	<b>18,879</b>	<b>20,404</b>	<b>16,947</b>	<b>18,385</b>
<b>Collateral held which is re-pledged or sold</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Assets pledged

As part of standard terms of transactions with other banks, the Group has provided collateral to secure liabilities. At Balance Sheet date, the carrying value of assets pledged as collateral to secure liabilities were as follows:

	Group		Bank	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Cash	5,837	6,064	5,781	5,679
Securities <sup>(1)</sup>	21,022	15,495	21,138	15,604
<b>Assets pledged</b>	<b>26,859</b>	<b>21,559</b>	<b>26,919</b>	<b>21,283</b>
<b>Asset pledged which can be re-pledged or re-sold by counterparty</b>	<b>21,022</b>	<b>15,495</b>	<b>21,138</b>	<b>15,604</b>

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 4.1.

The Group and the Bank have pledged collateral as part of entering into repurchase and derivative agreements. These transactions are governed by standard industry agreements.

## 9.7 Offsetting financial assets and financial liabilities

The table below identifies amounts that have been offset on the Balance Sheet and amounts covered by enforceable netting arrangements or similar agreements that do not qualify for set off. Cash settled derivatives that trade on an exchange are deemed to be economically settled and therefore outside the scope of these disclosures.

							Group 30 Jun 19	
	Subject to Enforceable Master Netting or Similar Agreements						Not subject to Netting Agreements \$M	Total Balance Sheet amount \$M
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
	Gross Balance Sheet Amount \$M	Amount offset <sup>(1)</sup> \$M	Reported on the Balance Sheet \$M	Financial Instruments <sup>(2)</sup> \$M	Financial Collateral (Received)/Pledged <sup>(2)</sup> \$M	Net Amount \$M		
Financial Instruments								
Derivative assets	40,913	(17,801)	23,112	(14,318)	(5,095)	3,699	2,103	25,215
Securities purchased under agreements to resell	12,732	-	12,732	(565)	(12,146)	21	-	12,732
Equity securities sold not delivered	661	(313)	348	-	-	348	-	348
Total financial assets	54,306	(18,114)	36,192	(14,883)	(17,241)	4,068	2,103	38,295
Derivative liabilities	(42,756)	20,727	(22,029)	14,318	4,086	(3,625)	(748)	(22,777)
Securities sold under agreements to repurchase	(19,099)	-	(19,099)	565	18,534	-	-	(19,099)
Equity securities purchased not delivered	(821)	313	(508)	-	-	(508)	-	(508)
Total financial liabilities	(62,676)	21,040	(41,636)	14,883	22,620	(4,133)	(748)	(42,384)

(1) The net offset balance of \$2,926 million relates to variation margin netting reflected on other Balance Sheet lines.

(2) For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result, the above collateral balances will not correspond to the tables in Note 9.6.

## 9.7 Offsetting financial assets and financial liabilities (continued)

Group  
30 Jun 18

	Subject to Enforceable Master Netting or Similar Agreements						Not subject to Netting Agreements	Total Balance Sheet amount
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
	Gross Balance Sheet Amount	Amount offset <sup>(1)</sup>	Reported on the Balance Sheet	Financial Instruments <sup>(2)</sup>	Financial Collateral (Received)/Pledged <sup>(2)</sup>	Net Amount		
Financial Instruments	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Derivative assets	36,923	(6,794)	30,129	(19,344)	(6,770)	4,015	2,004	32,133
Securities purchased under agreements to resell	13,520	-	13,520	(765)	(12,755)	-	-	13,520
Equity securities sold not delivered	516	(230)	286	-	-	286	-	286
<b>Total financial assets</b>	50,959	(7,024)	43,935	(20,109)	(19,525)	4,301	2,004	45,939
Derivative liabilities	(37,466)	10,149	(27,317)	19,344	4,567	(3,406)	(1,155)	(28,472)
Securities sold under agreements to repurchase	(14,696)	-	(14,696)	765	13,931	-	-	(14,696)
Equity securities purchased not delivered	(656)	230	(426)	-	-	(426)	-	(426)
<b>Total financial liabilities</b>	(52,818)	10,379	(42,439)	20,109	18,498	(3,832)	(1,155)	(43,594)

(1) The net offset balance of \$3,355 million relates to variation margin netting reflected on other Balance Sheet lines.

(2) For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 9.6.

## 9.7 Offsetting financial assets and financial liabilities (continued)

							Bank 30 Jun 19
Subject to Enforceable Master Netting or Similar Agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet			Total Balance Sheet amount \$M
	Gross Balance Sheet Amount \$M	Amount offset <sup>(1)</sup> \$M	Reported on the Balance Sheet \$M	Financial Instruments <sup>(2)</sup> \$M	Financial Collateral (Received)/Pledged <sup>(2)</sup> \$M	Net Amount \$M	
<b>Financial Instruments</b>							
Derivative assets	39,487	(17,273)	22,214	(14,065)	(4,697)	3,452	24,311
Securities purchased under agreements to resell	11,378	-	11,378	(573)	(10,784)	21	11,378
<b>Total financial assets</b>	50,865	(17,273)	33,592	(14,638)	(15,481)	3,473	35,689
Derivative liabilities	(45,839)	19,944	(25,895)	14,065	4,039	(7,791)	(26,654)
Securities sold under agreements to repurchase	(19,215)	-	(19,215)	573	18,642	-	(19,215)
<b>Total financial liabilities</b>	(65,054)	19,944	(45,110)	14,638	22,681	(7,791)	(45,869)

(1) The net offset balance of \$2,671 million relates to variation margin netting reflected on other Balance Sheet lines.

(2) For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 9.6.



## 9.7 Offsetting financial assets and financial liabilities (continued)

							Bank 30 Jun 18
Subject to Enforceable Master Netting or Similar Agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet			Total Balance Sheet amount \$M
	Gross Balance Sheet Amount \$M	Amount offset <sup>(1)</sup> \$M	Reported on the Balance Sheet \$M	Financial Instruments <sup>(2)</sup> \$M	Financial Collateral (Received)/Pledged <sup>(2)</sup> \$M	Net Amount \$M	
<b>Financial Instruments</b>							
Derivative assets	35,483	(6,794)	28,689	(18,887)	(5,955)	3,847	30,885
Securities purchased under agreements to resell	12,230	-	12,230	(765)	(11,465)	-	12,230
<b>Total financial assets</b>	<b>47,713</b>	<b>(6,794)</b>	<b>40,919</b>	<b>(19,652)</b>	<b>(17,420)</b>	<b>3,847</b>	<b>43,115</b>
Derivative liabilities	(39,785)	10,149	(29,636)	18,887	4,375	(6,374)	(30,871)
Securities sold under agreements to repurchase	(14,806)	-	(14,806)	765	14,041	-	(14,806)
<b>Total financial liabilities</b>	<b>(54,591)</b>	<b>10,149</b>	<b>(44,442)</b>	<b>19,652</b>	<b>18,416</b>	<b>(6,374)</b>	<b>(45,677)</b>

(1) The net offset balance of \$3,355 million relates to variation margin netting reflected on other Balance Sheet lines.

(2) For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 9.6.

### Related amounts not set off on the balance sheet

#### Derivative Assets and Liabilities

The “Financial Instruments” column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement. All outstanding transactions with the same counterparty can be offset and close-out netting applied if an event of default or other predetermined events occur. Financial collateral refers to cash and non-cash collateral obtained to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

#### Repurchase and Reverse Repurchase Agreements and Security Lending Agreements

The “Financial Instruments” column identifies financial assets and liabilities that are subject to set off under netting agreements, such as global master repurchase agreements and global master securities lending agreements. Under these netting agreements, all outstanding transactions with the same counterparty can be offset and close-out netting applied if an event of default or other predetermined events occur. Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

## Accounting policies

Financial assets and liabilities are offset and the net amount is presented in the Balance Sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# 10. Employee benefits

## Overview

The Group employs over 50,000 people across multiple jurisdictions and remunerates its employees through both fixed and variable arrangements. This section outlines details of the share-based payment and superannuation components of employee remuneration and provides an overview of key management personnel arrangements.

## 10.1 Share-based payments

The Group operates a number of cash and equity settled share plans as detailed below.

### Long Term Variable Remuneration (LTVR)

The Group's 2019 LTVR award for the CEO and Group Executives is made under the Employee Equity Plan (EEP). LTVR awards up to and including the 2018 financial year were made under the Group Leadership Reward Plan (GLRP). LTVR focuses efforts on achieving superior performance for key stakeholders – being customers, community, employees and shareholders – in order to create sustainable long-term shareholder value and drive positive culture and behaviours in the Group.

Participants are awarded a maximum number of Rights, which may convert into CBA shares on a 1-for-1 basis. The Board has discretion to apply a cash equivalent.

The Rights may vest at the end of a performance period of four years subject to the satisfaction of performance measures as follows:

For awards up to and including the 2017 financial year:

- 25% of the award is assessed against Customer Satisfaction compared to ANZ, NAB, Westpac and other key competitors for our wealth management business by reference to independent external surveys; and
- 75% of the award is assessed against Total Shareholder Return (TSR) compared to the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.

For awards made from the 2018 financial year:

- 75% of the award is assessed against TSR compared to the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.
- 12.5% of the award is assessed against a Relative Trust and Reputation measure; and
- 12.5% of the award is assessed against an Absolute Employee Engagement measure.

A positive TSR gateway applies to the Trust and Reputation and Employee Engagement measures. Refer to the Remuneration Report for further details on LTVR.

The following table provides details of outstanding awards of Rights granted under LTVR awards:

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense (\$'000)
30 Jun 19	678,801	294,619	(34,099)	(130,802)	808,519	7,186
30 Jun 18	1,174,899	215,356	(174,139)	(537,315)	678,801	4,329

The weighted average fair value at the grant date for TSR was \$33.57 and \$49.87 for both Trust and Reputation and Employee Engagement Rights issued during the year (2018: \$36.94 for TSR and \$57.11 for both Trust and Reputation and Employee Engagement). The fair value of the Rights granted during the period has been independently calculated at grant date using a Monte Carlo pricing model based on market information and excluding the impact of non-market performance conditions. The assumptions included in the valuation of the 2019 financial year award include a share price of \$71.77, a risk-free interest rate of 2.29%, a 5.83% dividend yield on the Bank's ordinary shares and a volatility in the Bank share price of 15%.

### Group Rights Plan (GRP) and Employee Equity Plan (EEP)

The GRP and EEP Restricted Shares facilitate mandatory short-term variable remuneration deferral, sign-on incentives and retention awards. Participants are awarded rights or restricted shares that vest provided the participant remains in employment of the Group until vesting date. The following table provides details of outstanding awards of rights and shares granted under the GRP and EEP.

## 10.1 Share-based payments (continued)

### Group Rights Plan (GRP) and Employee Equity Plan (EEP) (continued)

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense (\$'000)
30 Jun 19	2,246,204	1,086,280	(993,435)	(186,582)	2,152,467	77,136
30 Jun 18	2,125,927	1,045,179	(849,508)	(75,394)	2,246,204	67,725

The weighted average fair value at grant date of the awards issued during the year was \$71.08 (2018: \$75.67).

#### Employee Share Acquisition Plan (ESAP)

Under the ESAP eligible employees have the opportunity to receive up to \$1,000 worth of shares each year if the Group meets the required performance hurdle of growth in the Group's net profit after tax ("cash basis"). If the hurdle is not met, the Board has discretion to determine whether a full award, a partial award or no award is made.

The number of shares a participant receives is calculated by dividing the award amount by the average price paid for CBA shares purchased during the purchase period preceding the grant date. Shares granted are restricted from sale until the earlier of three years or until such time as the participant ceases employment with the Group. Participants receive full dividend entitlements and voting rights attached to those shares.

While the Group did not achieve the ESAP performance target for the 2018 financial year, the Board exercised its discretion and approved a partial award of \$550 during the financial year ended 30 June 2019 to each eligible employee to recognise their contribution through-out the year.

The following table provides details of shares granted under the ESAP:

Period	Allocation date	Participants	Number of Shares Allocated per Participant	Total Number of Shares Allocated	Issue Price \$	Total Fair Value \$
30 Jun 19	16 Nov 2018	30,960	7	216,720	70.86	15,356,779
30 Jun 18	8 Sep 2017	31,780	12	381,360	79.11	30,169,390

It is estimated that approximately \$34 million of CBA shares will be purchased on market at the prevailing market price for the 2019 grant.

#### Other employee awards

A number of other plans are operated by the Group, including:

- The Employee Share (Performance Unit) Plan and Employee Equity Plan (EEP) Cash Settled Rights are cash-based versions of the GRP and EEP; and
- The International Employee Share Acquisition Plan, which is the cash-based version of the ESAP.

The following table provides a summary of the movement in awards during the year:

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense (\$'000)
30 Jun 19	509,927	162,180	(242,026)	(48,657)	381,424	15,805
30 Jun 18	458,764	251,284	(168,925)	(31,196)	509,927	21,405

The weighted average fair value at grant date of the awards issued during the year was \$71.35 (2018: \$75.70).

#### Salary sacrifice arrangements

The Group facilitates the purchase of CBA shares via salary sacrifice as follows:

Type	Arrangements
Salary Sacrifice (ESSSP)	<ul style="list-style-type: none"> <li>• Australian based employees and Non-Executive Directors can elect to sacrifice between \$2,000 and \$5,000 p.a. of their fixed remuneration and/or annual STVR or fees (in the case of Non-Executive Directors)</li> <li>• Restricted from sale for a minimum of two years and a maximum of seven years or earlier, if the employee ceases employment with the Group (or retires from the Group in the case of Non-Executive Directors).</li> </ul>
Non-Executive Directors (NEDSP)	<ul style="list-style-type: none"> <li>• Required to defer 20% of post-tax fees until a minimum shareholding requirement of 5,000 shares is reached.</li> <li>• Restricted from sale for ten years or when the Non-Executive Director retires from the Board if earlier.</li> </ul>

## 10.1 Share-based payments (continued)

### Salary sacrifice arrangements (continued)

Shares are purchased on market at the prevailing market price at that time and receive full dividend entitlements and voting rights. The following table provides details of shares granted under the ESSSP and NEDSP (voluntary fee sacrifice).

Period	Participants	Number of shares purchased	Average purchase price \$	Total purchase consideration \$
30 Jun 19	952	47,205	71.57	3,378,462
30 Jun 18	983	41,390	77.68	3,215,222

During the year four (2018: four) Non-Executive Directors applied \$103,151 in fees (2018: \$74,991) to purchase 1,424 shares (2018: 988 shares).

## 10.2 Retirement benefit obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Commonwealth Bank Group Super	Defined Benefits and Accumulation <sup>(1)</sup>	Indexed pension and lump sum	30 June 2018
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA UK) SBS	Defined Benefits and Accumulation <sup>(1)</sup>	Indexed pension and lump sum	30 June 2016

(1) The defined benefit formulae are generally comprised of final salary, or final average salary, and service.

### Regulatory framework

Both plans operate under trust law with the assets of the plans held separately in trust. The Trustee of Commonwealth Bank Group Super is Commonwealth Bank Officers Superannuation Corporation Pty Limited. The Trustee of CBA (UK) SBS is Commonwealth Bank of Australia (UK) Staff Benefits Scheme Trustee Company Limited. Both Trustees are wholly owned subsidiaries of the Group. The Trustees do not conduct any business other than trusteeship of the plans. The plans are managed and administered on behalf of the members in accordance with the terms of each trust deed and relevant legislation. The funding of the plans complies with regulations in Australia and the UK respectively.

### Funding and contributions

An actuarial assessment as at 30 June 2018 showed Commonwealth Bank Group Super remained in funding surplus. The Bank agreed to continue contributions of \$20 million per month to the plan. Employer contributions paid to the plan are subject to tax at the rate of 15% in the plan.

An actuarial assessment of the CBA (UK) SBS as at 30 June 2016 was completed in September 2017. It confirmed a funding deficit of GBP26.2 million (\$47.4 million). The Bank agreed to pay deficit reduction contributions of GBP5 million (\$9 million) per annum, paid monthly from 1 January 2018 to 31 December 2022. The Group's expected contributions to the Commonwealth Bank Group Super and the CBA (UK) SBS for the year ended 30 June 2020 are \$240 million and GBP7.5 million (\$13.6 million) respectively.

## 10.2 Retirement benefit obligations (continued)

### Defined benefit superannuation plan

	Note	Commonwealth Bank Group Super		CBA(UK)SBS		Total	
		30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Present value of funded obligations		(3,004)	(2,826)	(711)	(645)	(3,715)	(3,471)
Fair value of plan assets		3,438	3,355	739	697	4,177	4,052
<b>Net pension assets/(liabilities) as at 30 June</b>		<b>434</b>	<b>529</b>	<b>28</b>	<b>52</b>	<b>462</b>	<b>581</b>
Amounts in the Balance Sheet:							
Assets	6.2	434	529	28	52	462	581
<b>Net assets/(liabilities)</b>		<b>434</b>	<b>529</b>	<b>28</b>	<b>52</b>	<b>462</b>	<b>581</b>
The amounts recognised in the Income Statement are as follows:							
Current service cost		(36)	(36)	(6)	(6)	(42)	(42)
Net interest income/(expense)		16	13	2	-	18	13
Employer financed benefits within accumulation division <sup>(1)</sup>		(279)	(289)	-	-	(279)	(289)
<b>Total included in superannuation plan expense</b>		<b>(299)</b>	<b>(312)</b>	<b>(4)</b>	<b>(6)</b>	<b>(303)</b>	<b>(318)</b>
Changes in the present value of the defined benefit obligation are as follows:							
Opening defined benefit obligation		(2,826)	(2,910)	(645)	(656)	(3,471)	(3,566)
Current service cost		(36)	(36)	(6)	(6)	(42)	(42)
Interest cost		(119)	(122)	(17)	(17)	(136)	(139)
Member contributions		(6)	(6)	-	-	(6)	(6)
Actuarial (losses) from changes in demographic assumptions		(18)	-	-	-	(18)	-
Actuarial gains/(losses) from changes in financial assumptions		(228)	(25)	(69)	29	(297)	4
Actuarial gains from changes in other assumptions		45	57	-	-	45	57
Payments from the plan		184	216	39	35	223	251
Exchange differences on foreign plans		-	-	(13)	(30)	(13)	(30)
<b>Closing defined benefit obligation</b>		<b>(3,004)</b>	<b>(2,826)</b>	<b>(711)</b>	<b>(645)</b>	<b>(3,715)</b>	<b>(3,471)</b>
Changes in the fair value of plan assets are as follows:							
Opening fair value of plan assets		3,355	3,336	697	645	4,052	3,981
Interest income		135	135	19	17	154	152
Return on plan assets (excluding interest income)		165	143	34	17	199	160
Member contributions		6	6	-	-	6	6
Employer contributions		240	240	15	22	255	262
Employer financed benefits within accumulation division		(279)	(289)	-	-	(279)	(289)
Payments from the plan		(184)	(216)	(39)	(35)	(223)	(251)
Exchange differences on foreign plans		-	-	13	31	13	31
<b>Closing fair value of plan assets</b>		<b>3,438</b>	<b>3,355</b>	<b>739</b>	<b>697</b>	<b>4,177</b>	<b>4,052</b>

(1) Represents superannuation contributions required by the Bank to meet its obligations to members of the defined contribution division of Commonwealth Bank Group Super.

## 10.2 Retirement benefit obligations (continued)

### Economic assumptions

	Commonwealth Bank Group Super		CBA(UK)SBS	
	30 Jun 19	30 Jun 18	30 Jun 19	30 Jun 18
Economic assumptions	%	%	%	%
The above calculations were based on the following assumptions:				
Discount rate	3.20	4.20	2.30	2.70
Inflation rate	1.60	2.10	3.50	3.30
Rate of increases in salary	2.40	2.90	4.50	4.30

In addition to financial assumptions, the mortality assumptions for pensioners can materially impact the defined benefit obligations. These assumptions are age related and allowances are made for future improvement in mortality. The expected life expectancies (longevity) for pensioners are set out below:

	Commonwealth Bank Group Super		CBA(UK)SBS	
	30 Jun 19	30 Jun 18	30 Jun 19	30 Jun 18
Expected life expectancies for pensioners	Years	Years	Years	Years
Male pensioners currently aged 60	28.8	28.8	28.0	27.6
Male pensioners currently aged 65	23.9	23.8	23.2	23.1
Female pensioners currently aged 60	31.2	33.1	29.9	29.8
Female pensioners currently aged 65	26.1	28.1	25.1	25.0

### Sensitivity to changes in assumptions

The table below sets out the sensitivities of the present value of defined benefit obligations at 30 June to a change in the principal actuarial assumptions:

	Commonwealth Bank Group Super CBA(UK)SBS	
	30 Jun 19	30 Jun 19
Impact of change in assumptions on liabilities	%	%
0.25% decrease in discount rate	3.70	4.90
0.25% increase in inflation rate	2.96	3.30
0.25% increase to the rate of increases in salary	0.47	0.30
Longevity increase of 1 year	4.76	3.70

### Average duration

The average duration of defined benefit obligation at 30 June is as follows:

	Commonwealth Bank Group Super CBA(UK)SBS	
	30 Jun 19	30 Jun 19
	Years	Years
Average duration at balance date	13	19

## 10.2 Retirement benefit obligations (continued)

### Risk management

The pension plans expose the Group to longevity risk, currency risk, interest rate risk, inflation risk and market risk. The Trustees perform Asset-Liability Matching (ALM) exercises to ensure the plan assets are well matched to the nature and maturities of the defined benefit obligations.

The Commonwealth Bank Group Super's investment strategy comprises 41% growth and 59% defensive assets. Inflation and interest rate risks are partly mitigated by investing in long dated fixed interest securities which better match the average duration of liabilities and entering into inflation and interest rate swaps.

The allocation of assets backing the defined benefit portion of the Commonwealth Bank Group Super is as follows:

Asset allocations	Commonwealth Bank Group Super			
	30 Jun 19		30 Jun 18	
	Fair value \$M	% of plan asset	Fair value \$M	% of plan asset
Cash	83	2.4	81	2.4
Equities - Australian <sup>(1)</sup>	193	5.6	253	7.5
Equities - Overseas <sup>(1)</sup>	591	17.2	570	17.0
Bonds - Commonwealth Government <sup>(1)</sup>	967	28.1	679	20.2
Bonds - Semi-Government <sup>(1)</sup>	956	27.8	1,179	35.1
Bonds - Corporate and other <sup>(1)</sup>	71	2.1	79	2.4
Real Estate and Infrastructure <sup>(2)</sup>	346	10.1	334	10.0
Derivatives	(33)	(1.0)	(17)	(0.5)
Other <sup>(3)</sup>	264	7.7	197	5.9
<b>Total fair value of plan assets</b>	<b>3,438</b>	<b>100.0</b>	<b>3,355</b>	<b>100.0</b>

(1) Values based on prices or yields quoted in an active market.

(2) This includes listed and unlisted property and infrastructure investments.

(3) These are alternative investments which are not included in the traditional asset classes of equities, fixed interest securities, real estate and cash. They include multi-asset investments, liquid alternative investments and hedge funds.

The Australian equities fair value includes \$15.3 million of Commonwealth Bank shares. The real estate fair value includes \$1.4 million of property assets leased to the Bank. The bonds – corporate and other fair value includes \$0.4 million of Commonwealth Bank debt securities. The other asset allocation includes \$0.5 million of Commonwealth Bank shares and \$0.1 million debt securities held in a multi-asset fund.

## 10.3 Key management personnel

Detailed remuneration disclosures by Key Management Personnel (KMP) are provided in the Remuneration Report of the Directors' Report on pages 10 to 34.

Key Management Personnel compensation	Group		Bank	
	30 Jun 19 \$'000	30 Jun 18 \$'000	30 Jun 19 \$'000	30 Jun 18 \$'000
Short-term benefits <sup>(1) (2)</sup>	23,326	23,127	21,413	23,127
Post-employment benefits	457	421	400	421
Long-term benefits	864	854	836	854
Share-based payments <sup>(1)</sup>	14,715	11,235	14,405	11,235
<b>Total</b>	<b>39,362</b>	<b>35,637</b>	<b>37,054</b>	<b>35,637</b>

(1) Non-Executive Director fees for the 2018 financial year have been restated to reflect car parking benefits (including associated fringe benefits tax) and the proportion between cash fees and Non-Executive Directors' share plan shares for some individuals.

(2) Short-term benefits includes termination benefits of \$1,294,969 (2018: \$4,700,917)

## 10.3 Key management personnel (continued)

### Security holdings

Details of the aggregate security holdings of KMP are set out below.

		Balance	Acquired/ Granted as	Previous Years Awards	Net Change Other	Balance
	Class <sup>(1)</sup>	1 July 18 <sup>(2)</sup>	Remuneration	Vested <sup>(3)</sup>	<sup>(4)</sup>	30 June 19 <sup>(5)</sup>
Non-Executive Directors	Ordinary <sup>(6)</sup>	138,406	9,145	-	(97,190)	50,361
	PERLS	8,600	-	-	(5,830)	2,770
Executives	Ordinary	228,623	-	96,267	(114,930)	209,960
	LTVR Rights	440,321	294,619	(18,390)	(131,133)	585,417
	Deferred Shares	-	38,818	-	(14,923)	23,895
	Deferred Rights	54,353	7,064	(41,896)	409	19,930
	Sign-on equity	9,234	125,772	(42,651)	-	92,355
	PERLS	2,330	-	-	(2,330)	-

(1) LTVR rights are subject to performance hurdles. Deferred shares represent the deferred STVR awarded in the 2019 financial year. Deferred rights represent the deferred STVR awarded under Executive General Manager arrangements and retention awards received as rights in prior years, as well as the CEO ASB's 2018 financial year STVR award. Sign-on equity includes sign-on awards received as deferred rights or shares. PERLS include cumulative holdings of all PERLS securities issued by the Group.

(2) Due to the changes in KMP during the 2019 financial year, aggregate security holdings balance at 1 July 2018 does not align to the balance disclosed for 30 June 2018.

(3) LTVR rights, deferred shares and deferred rights become ordinary shares or are cash settled upon vesting.

(4) Net change other incorporates changes resulting from purchases, sales, forfeitures and appointment or departure of KMP during the year.

(5) 30 June 2019 balances represent aggregate shareholdings of all KMP at balance date.

(6) Non-Executive Directors who hold fewer than 5,000 Commonwealth Bank shares are required to receive 20% of their total after-tax base fees as CBA shares. These shares are subject to a 10-year trading restriction (the shares will be released earlier if the Non-Executive Director leaves the Board).

### Loans to KMP

All loans to KMP (including close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of those family members or entities held significant voting power) have been made in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees and customers, including the term of the loan, security required and the interest rate (which may be fixed or variable). There has been no write down of loans during the period.

Details of aggregate loans to KMP are set out below:

	30 Jun 19 \$'000	30 Jun 18 \$'000
Loans	12,337	12,914
Interest charged	480	476

### Other transactions of KMP

#### Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed within this report) of KMP occur in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees and customers.

Disclosure of financial instrument transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with KMP and entities controlled or significantly influenced by them.

All such financial instrument transactions that have occurred between entities within the Group and their KMP have been trivial or domestic in nature and were in the nature of normal personal banking and deposit transactions.

#### Transactions other than Financial Instrument Transactions of Banks

All other transactions with KMP and their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group.

#### Services agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and other Group KMP at 30 June 2019 was \$2,254,283 (2018: \$3,096,820).



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# 11. Group structure

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## Overview

The Group structure includes the Bank legal entity and its interests in operating and special purpose subsidiaries, joint ventures and associates. These entities were either acquired or established and their classification is driven by the Bank's level of control or influence.

These entities operating activities include banking, advice, funds management, specialised customer financing and asset backed financing across multiple jurisdictions.

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## 11.1 Investments in subsidiaries and other entities

### Subsidiaries

The key subsidiaries of the Bank are:

Entity Name	Entity Name
<b>Australia</b>	
<b>(a) Banking</b>	
CBA Covered Bond Trust	Medallion Trust Series 2015-2
Commonwealth Securities Limited	Medallion Trust Series 2016-1
Medallion Trust Series 2008-1R	Medallion Trust Series 2016-2
Medallion Trust Series 2011-1	Medallion Trust Series 2017-1
Medallion Trust Series 2013-1	Medallion Trust Series 2017-1P
Medallion Trust Series 2013-2	Medallion Trust Series 2017-2
Medallion Trust Series 2014-1	Residential Mortgage Group Pty Ltd
Medallion Trust Series 2014-2	Medallion Trust Series 2018-1
Medallion Trust Series 2015-1	
<b>(b) Insurance and Funds Management</b>	
Capital 121 Pty Limited	Commonwealth Insurance Limited
Colonial Holding Company Limited	The Colonial Mutual Life Assurance Society Limited <sup>(1)</sup>
Commonwealth Insurance Holdings Limited	

(1) This subsidiary is classified as a discontinued operation.

All the above subsidiaries are 100% owned and incorporated in Australia.

## 11.1 Investments in subsidiaries and other entities (continued)

### Subsidiaries (continued)

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
<b>New Zealand and Other Overseas</b>		
<b>(a) Banking</b>		
ASB Bank Limited		New Zealand
ASB Covered Bond Trust		New Zealand
ASB Finance Limited		New Zealand
ASB Holdings Limited		New Zealand
ASB Term Fund		New Zealand
CommBank Europe Limited		Malta
Medallion NZ Series Trust 2009-1R		New Zealand
PT Bank Commonwealth	99%	Indonesia
<b>(b) Insurance and Funds Management</b>		
PT Commonwealth Life <sup>(1)</sup>	80%	Indonesia
First Gas Limited <sup>(1)</sup>	12%	New Zealand

(1) As at 30 June 2019, PT Commonwealth Life and First Gas Limited are classified as discontinued operations.

The Group also consolidates a number of unit trusts and other companies as part of the ongoing investment activities of the life insurance and wealth businesses. These investment vehicles are excluded from the above list.

### Significant Judgements and Assumptions

#### Control and voting rights

Holding more than 50% of an entity's voting rights typically indicates that the Group has control over the entity. Significant judgement is involved where the Group either holds more than 50% of the voting rights but does not control an entity, or where the Group is deemed to control an entity despite holding less than 50% of the voting rights.

#### Agent or principal

The Group is deemed to have power over an investment fund when it holds either the responsible entity (RE) and/or the manager function of that fund. Whether that power translates to control depends on whether the Group is deemed to act as an agent or a principal of that fund. Management have determined that the Group acts as a principal and controls a fund when it cannot be easily removed as a manager or RE by investors and when its economic interest in that fund is substantial compared to the economic interest of other investors. In all other cases the Group acts as agent and does not control the fund.

### Non-controlling interests

	<b>Group</b>	
	<b>30 Jun 19</b>	<b>30 Jun 18</b>
	<b>\$M</b>	<b>\$M</b>
Shareholders' Equity	55	554
<b>Total non-controlling interests</b>	<b>55</b>	<b>554</b>

New Zealand Perpetual Preference Shares of AUD505 million issued by ASB Capital Limited and ASB Capital No.2 Limited, the Group's New Zealand subsidiaries, were bought back and subsequently cancelled in May 2019.

As at 30 June 2019, non-controlling interests include minority shareholders' interest in the Group's subsidiaries, PT Bank Commonwealth, PT Commonwealth Life and First Gas Limited.

## 11.1 Investments in subsidiaries and other entities (continued)

### Significant restrictions

There were no significant restrictions on the ability to transfer cash or other assets, pay dividends or other capital distributions, provide or repay loans and advances between the entities within the Group. There were also no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group resulting from protective rights of non-controlling interests.

### Associates and joint ventures

There were no individually significant investments in associates or joint ventures held by the Group as at 30 June 2019 and 30 June 2018. In addition, there were no significant restrictions on the ability of associates or joint ventures to transfer funds to the Bank or its subsidiaries in the form of cash dividends or to repay loans or advances made.

The Group's investments in associates and joint ventures are shown in the table below.

							Group
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 Ownership Interest %	30 Jun 18 Ownership Interest %	Principal Activities	Country of Incorporation	Balance Date
Bank of Hangzhou Co., Ltd	1,816	1,680	18	18	Commercial Banking	China	31-Dec
First State European Diversified Infrastructure Fund FCP-SIF <sup>(1)</sup>	-	121	4	3	Funds Management	Luxembourg	31-Dec
Qilu Bank Co., Ltd	771	638	18	18	Commercial Banking	China	31-Dec
Vietnam International Commercial Joint Stock Bank	242	210	20	20	Commercial Banking	Vietnam	31-Dec
Other	172	193	Various	Various	Various	Various	Various
<b>Carrying amount of investments in associates and joint ventures</b>	<b>3,001</b>	<b>2,842</b>					

		Group
	30 Jun 19 \$M	30 Jun 18 \$M
<b>Share of Associates' and Joint Ventures profits <sup>(2)</sup></b>		
Operating profits before income tax	315	321
Income tax expense	(27)	(52)
<b>Operating profits after income tax <sup>(3)</sup></b>	<b>288</b>	<b>269</b>

(1) The investment in First State European Diversified Infrastructure Fund FCP-SIF has been classified as held for sale following the announced sale of CFSGAM.

(2) Excludes information concerning associates and joint ventures classified as held for sale.

(3) This amount is recognised within Note 2.3 in the share of profits of associates and joint ventures net of impairment.

### Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

### Consolidated structured entities

The Group has the following contractual arrangements which require it to provide financial support to its structured entities.

## 11.1 Investments in subsidiaries and other entities (continued)

### Structured entities (continued)

#### *Securitisation structured entities*

The Group provides liquidity facilities to Medallion, Medallion NZ and Swan structured entities. The liquidity facilities can only be drawn to cover cash flow shortages relating to mismatches in timing of cash inflows due from securitised asset pools and cash outflows due to note holders. These 'timing mismatch' facilities rank pari passu with other senior secured creditors. The facilities limit is \$877 million (2018: \$857 million).

The Group has no contractual obligations to purchase assets from its securitisation structured entities.

#### *Covered bonds trust*

The Group provides funding and support facilities to CBA Covered Bond Trust and ASB Covered Bond Trust (the 'Trusts'). The Trusts are bankruptcy remote SPVs that guarantee any debt obligations owing under the US\$30 billion CBA Covered Bond Programme and the EUR7 billion ASB Covered Bond Programme, respectively. The funding facilities allow the Trusts to hold sufficient residential mortgage loans to support the guarantees provided to the Covered Bonds. The Group also provides various swaps to the Trusts to hedge any interest rate and currency mismatches. The Group, either directly or via its wholly owned subsidiaries, Securitisation Advisory Services Pty Limited and Securitisation Management Services Limited, provides various services to the Trusts including servicing and monitoring of the residential mortgages.

#### *Structured asset finance structured entities*

The Group has no contractual obligation to provide financial support to any of its Structured asset finance structured entities.

During the year ended 30 June 2019, the Bank entered into a debt forgiveness arrangement with two wholly owned structured entities for the total of \$7 million (2018: \$17 million). The financial impact of the debt forgiveness was fully eliminated on consolidation.

### Unconsolidated structured entities

The Group has exposure to various securitisation vehicles via Residential Mortgage-backed Securities (RMBS) and Asset-backed Securities (ABS). The Group may also provide derivatives and other commitments to these vehicles. The Group also has exposure to Investment funds and other financing vehicles.

#### *Securitisations*

Securitisations involve transferring assets into an entity that sells beneficial interests to investors through the issue of debt and equity notes with varying levels of subordination. The notes are collateralised by the assets transferred to these vehicles and pay a return based on the returns of those assets, with residual returns paid to the most subordinated investor.

The Group may trade or invest in RMBS and ABS, which are backed by Commercial Properties, Consumer Receivables, Equipment and Auto Finance. The Group may also provide lending, derivatives, liquidity and commitments to these securitisation entities.

#### *Other financing*

Asset-backed entities are used to provide tailored lending for the purchase or lease of assets transferred by the Group or its clients. The assets are normally pledged as collateral to the lenders. The Group engages in raising finance for assets such as aircraft, trains, vessels and other infrastructure. The Group may also provide lending, derivatives, liquidity and commitments to these entities.

#### *Investment funds*

The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian, advisor or manager for investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts. The Group's exposure to investment funds includes holding units in the investment funds and trusts, providing lending facilities, derivatives and receiving fees for services.

The nature and extent of the Group's interests in these entities are summarised below. Interests do not include derivatives and other positions where the Group creates rather than absorbs variability of the Structured entity, for example deposits. These have been excluded from the below table.

## 11.1 Investments in subsidiaries and other entities (continued)

### Unconsolidated structured entities (continued)

	30 Jun 19				
	RMBS \$M	ABS \$M	Other Financing \$M	Investment Funds \$M	Total \$M
<b>Exposures to unconsolidated structured entities</b>					
Assets at fair value through income statement - trading	-	-	-	242	242
Investment securities	7,619	476	-	-	8,095
Loans, bills discounted and other receivables	1,977	1,602	5,454	7,367	16,400
Other assets	-	-	-	-	-
Assets held for sale	-	-	-	1,108	1,108
<b>Total on Balance Sheet exposures</b>	<b>9,596</b>	<b>2,078</b>	<b>5,454</b>	<b>8,717</b>	<b>25,845</b>
Total notional amounts of off Balance Sheet exposures <sup>(1)</sup>	2,761	729	539	4,302	8,331
<b>Total maximum exposure to loss</b>	<b>12,357</b>	<b>2,807</b>	<b>5,993</b>	<b>13,019</b>	<b>34,176</b>
<b>Total assets of the entities <sup>(2)</sup></b>	<b>55,508</b>	<b>9,523</b>	<b>17,542</b>	<b>329,237</b>	<b>411,810</b>

(1) Relates to undrawn facilities.

(2) Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of \$9,073 million.

	30 Jun 18				
	RMBS \$M	ABS \$M	Other Financing <sup>(1)</sup> \$M	Investment Funds \$M	Total \$M
<b>Exposures to unconsolidated structured entities</b>					
Assets at fair value through income statement - trading	22	-	-	43	65
Available-for-sale investments	7,233	652	-	224	8,109
Loans, bills discounted and other receivables	3,056	1,576	5,576	8,089	18,297
Other assets	-	-	-	401	401
Assets held for sale	-	-	-	824	824
<b>Total on Balance Sheet exposures</b>	<b>10,311</b>	<b>2,228</b>	<b>5,576</b>	<b>9,581</b>	<b>27,696</b>
Total notional amounts of off Balance Sheet exposures <sup>(2)</sup>	2,027	674	1,068	4,302	8,071
<b>Total maximum exposure to loss</b>	<b>12,338</b>	<b>2,902</b>	<b>6,644</b>	<b>13,883</b>	<b>35,767</b>
<b>Total assets of the entities <sup>(3)</sup></b>	<b>52,230</b>	<b>9,869</b>	<b>16,101</b>	<b>332,443</b>	<b>410,643</b>

(1) In prior years, Other Financing included exposures to structured entities where the Group had recourse only to assets of the structured entities. Comparative information has been restated to conform to presentation in the current year and includes all exposures to structured entities.

(2) Relates to undrawn facilities.

(3) Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of \$9,688 million.

## 11.1 Investments in subsidiaries and other entities (continued)

### Unconsolidated structured entities (continued)

The Group's exposure to loss depends on the level of subordination of the interest, which indicates the extent to which other parties are obliged to absorb credit losses before the Group. An overview of the Group's interests, relative ranking and external credit rating, for vehicles that have credit subordination in place, is summarised in the table below, and include securitisation vehicles and other financing.

	30 Jun 19			
Ranking and credit rating of exposures to unconsolidated structured entities	RMBS \$M	ABS \$M	Other Financing \$M	Total \$M
Senior <sup>(1)</sup>	12,269	2,807	5,993	21,069
Mezzanine <sup>(2)</sup>	88	-	-	88
<b>Total maximum exposure to loss</b>	<b>12,357</b>	<b>2,807</b>	<b>5,993</b>	<b>21,157</b>

(1) All ABS and RMBS exposures and \$3,901 million of other financing exposures are rated investment grade. \$2,092 million of other financing exposures are sub-investment grade.

(2) All RMBS exposures are rated investment grade.

	30 Jun 18 <sup>(1)</sup>			
Ranking and credit rating of exposures to unconsolidated structured entities	RMBS \$M	ABS \$M	Other Financing \$M	Total \$M
Senior <sup>(2)</sup>	12,254	2,902	6,644	21,800
Mezzanine <sup>(3)</sup>	84	-	-	84
<b>Total maximum exposure to loss</b>	<b>12,338</b>	<b>2,902</b>	<b>6,644</b>	<b>21,884</b>

(1) In prior years, Other Financing included exposures to structured entities where the Group had recourse only to assets of the structured entities. Comparative information has been restated to conform to presentation in the current year and includes all exposures to structured entities.

(2) All ABS exposures, \$12,240 million of RMBS exposures and \$4,067 million of other financing exposures are rated investment grade. \$14 million of RMBS and \$2,577 million of other financing exposures are sub-investment grade.

(3) All RMBS exposures are rated investment grade.

### Sponsored unconsolidated structured entities

For the purposes of this disclosure, the Group sponsors an entity when it manages or advises the entity's program, places securities into the market on behalf of the entity, provides liquidity and/or credit enhancements to the entity, or the Group's name appears in the Structured Entity.

As at 30 June 2019, the Group has not sponsored any unconsolidated structured entities.

## 11.1 Investments in subsidiaries and other entities (continued)

### Accounting policies

#### Subsidiaries

The consolidated financial report comprises the financial report of the Bank and its subsidiaries. Subsidiaries are entities (including structured entities) over which the Bank has control. The Bank controls an entity when it has:

- power over the relevant activities of the entity, for example through voting or other rights;
- exposure to, or rights to, variable returns from the Bank's involvement with the entity; and
- the ability to use its power over the entity to affect the Bank's returns from the entity.

#### Consolidation of structured entities

The Group exercises judgement at inception and periodically thereafter, to assess whether that structured entity should be consolidated based on the Bank's power over the relevant activities of the entity and the significance of its exposure to variable returns of the structured entity. Such assessments are predominately required for the Group's securitisation program, structured transactions and involvement with investment funds.

Transactions between subsidiaries in the Group are eliminated. Non-controlling interests and the related share of profits in subsidiaries are shown separately in the consolidated Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, and Balance Sheet. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated when control ceases. Subsidiaries are accounted for at cost less accumulated impairments at the Bank level.

#### Business combinations

Business combinations are accounted for using the acquisition method. At the acquisition date, the cost of the business is the fair value of the purchase consideration, measured as the aggregate of the fair values of assets transferred, equity instruments issued, or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. Goodwill represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of assets acquired and liabilities and contingent liabilities assumed on the date of acquisition. If there is a deficit instead, this discount on acquisition is recognised directly in the consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

#### Investments in associates and joint ventures

Associates and joint ventures are entities over which the Group has significant influence or joint control, but not control. In the consolidated financial report, they are equity accounted. They are initially recorded at cost and adjusted for the Group's share of the associates' and joint ventures' post-acquisition profits or losses and other comprehensive income (OCI), less any dividends received. At the Bank level, they are accounted for at cost less accumulated impairments.

The Group assesses, at each Balance Sheet date, whether there is any objective evidence of impairment. If there is an indication that an investment may be impaired, then the entire carrying amount of the investment in associate or joint venture is tested for impairment by comparing the recoverable amount (higher of value in use and fair value less disposal costs) with the carrying amount. Impairment losses recognised in the Income Statement are subsequently reversed through the Income Statement if there has been a change in the estimates used to determine recoverable amount since the impairment loss was recognised.

## 11.2 Related party disclosures

Banking transactions are entered into with related parties in the normal course of business on an arm's length basis. These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. Details of amounts paid or received from related parties, in the form of dividends or interest, are set out in Notes 2.3 and 2.1.

The Bank's aggregate investments in, and loans to controlled entities are disclosed in the table below. Amounts due to controlled entities are disclosed in the Balance Sheet of the Bank.

	Bank	
	30 Jun 19 \$M	30 Jun 18 \$M
Shares in controlled entities	10,728	11,821
Loans to controlled entities	109,465	106,431
<b>Total shares in and loans to controlled entities</b>	<b>120,193</b>	<b>118,252</b>

As at 30 June 2019, loans to controlled entities in the table above are presented net of \$21 million provisions for impairment.

## 11.2 Related party disclosures (continued)

The Group receives fees on an arm's length basis of \$61 million (2018: \$118 million) from funds included in assets held for sale.

The Bank provides letters of comfort to other entities within the Group on standard terms. Guarantees include a \$175 million (2018: \$175 million) guarantee to AFS license holders in respect of excess compensation claims. During the year ended 30 June 2019, the Bank entered into reimbursement arrangements totalling \$396 million with its subsidiaries, Avanteos Investments Limited, Count Financial Limited, Financial Wisdom Limited and Commonwealth Financial Planning Limited (for the Pathways business (CFPL)), to cover potential remediation of ongoing service failures to customers, deceased estates, and inappropriate advice and other matters. This amount includes \$374 million for Aligned Advice remediation and \$22 million for other wealth remediation programs. The Group and the Bank have provided for these costs.

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The details of these agreements are set out in Note 2.5. The amount receivable by the Bank under the tax funding agreement with the tax consolidated entities is \$320 million as at 30 June 2019 (2018: \$283 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

All transactions between Group entities are eliminated on consolidation.

## Accounting policies

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or a separate party controls both. The definition includes subsidiaries, associates, joint ventures, pension plans as well as other persons.

## 11.3 Discontinued operations

### Completed transactions

#### Life insurance business in New Zealand

On 21 September 2017, the Group announced the sale of 100% of its New Zealand life insurance business (Sovereign) to AIA Group Limited (AIA) for \$1.3 billion. The sale agreement includes a long-term partnership with AIA for the provision of life insurance products to customers in New Zealand. The sale of Sovereign completed on 2 July 2018, resulting in a total post-tax gain of \$117 million (net of transaction and separation costs). This includes \$135 million post-tax gain net of transaction and separation costs recognised during the year ended 30 June 2019, and \$18 million post-tax transaction and separation costs recognised during the year ended 30 June 2018.

#### TymeDigital SA

On 1 November 2018, the Group completed the sale of Commonwealth Bank of South Africa (Holding Company) Limited (TymeDigital SA) to the minority shareholder, African Rainbow Capital, resulting in a total post-tax loss of \$113 million.

#### Colonial First State Global Asset Management

On 31 October 2018, the Group announced the sale of Colonial First State Global Asset Management (CFSGAM) to Mitsubishi UFJ Trust and Banking Corporation (MUTB). The sale of CFSGAM completed on 2 August 2019, resulting in final sale proceeds of \$4.2 billion and a total post tax gain of \$1.5 billion (inclusive of separation costs and subject to final tax calculations and completion adjustments).

### Ongoing transactions

#### Life insurance businesses in Australia

On 21 September 2017, the Group announced the 100% sale of its Australian life insurance businesses (CommInsure Life) to AIA for \$2.5 billion. The sale agreement includes a long-term partnership with AIA for the provision of life insurance products to customers in Australia. The sale of CommInsure Life remains subject to the completion of the transfer of the Group's stake in BoCommLife out of CommInsure Life and its associated Chinese regulatory approvals.

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

#### BoCommLife

On 23 May 2018, the Group announced the sale of its 37.5% equity interest in BoCommLife to Mitsui Sumitomo Insurance Co. Ltd (MSI). On completion, CBA is expected to receive proceeds of approximately \$891 million. The sale of BoCommLife is subject to Chinese regulatory approvals, and is expected to be completed in the second half of the calendar year 2019.



## 11.3 Discontinued operations (continued)

### Ongoing transactions (continued)

#### PT Commonwealth Life

On 23 October 2018, the Group announced the sale of its 80% interest in its Indonesian life insurance business, PT Commonwealth Life (PTCL), to FWD Group (FWD). As part of the sale, CBA's Indonesian banking subsidiary, PT Bank Commonwealth (PTBC), will enter into a 15-year life insurance distribution partnership with FWD. On completion, CBA is expected to receive \$426 million in consideration for the sale of PTCL and entering the distribution partnership. The sale is subject to regulatory approvals in Indonesia and is now expected to complete in the second half of calendar year 2019.

#### Count Financial

On 13 June 2019, the Group announced the sale of its 100% interest in Count Financial Limited (Count Financial) to CountPlus Limited (CountPlus) for \$2.5 million. Completion is expected to occur in October 2019. Upon completion, the Group will provide an indemnity to CountPlus capped at \$200 million. This indemnity amount represents a potential contingent liability of \$56 million in excess of a \$144 million Count Financial remediation provision included in the Group's total Aligned Advice provision of \$534 million as at 30 June 2019. Refer to Note 7.1 for further information.

The assets and liabilities of Count Financial have been presented as held for sale as at 30 June 2019. Count Financial has not been classified as a discontinued operation.

### Financial impact of discontinued operations on the Group

The performance and net cash flows of the Group's interests in CommInsure Life, Sovereign, BoCommLife, PTCL, CFSGAM and TymeDigital SA are set out in the tables below:

	Full Year Ended <sup>(1)</sup>		
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M
Net interest income	6	-	(9)
Other banking income	20	21	20
Net banking operating income	26	21	11
Funds management income	1,102	1,194	1,138
Investment revenue	391	503	513
Claims, policyholder liability and commission revenue/(expense)	(548)	(604)	(644)
Net funds management operating income	945	1,093	1,007
Premiums from insurance contracts	1,256	2,066	2,305
Investment revenue	539	367	216
Claims, policyholder liability and commission expense from insurance contracts	(1,503)	(1,702)	(1,861)
Net insurance operating income	292	731	660
<b>Total net operating income before operating expenses</b>	<b>1,263</b>	<b>1,845</b>	<b>1,678</b>
Operating expenses	(938)	(1,110)	(989)
<b>Net profit before tax</b>	<b>325</b>	<b>735</b>	<b>689</b>
Income tax expense	(48)	(172)	(176)
Policyholder tax	(50)	(58)	(32)
<b>Net profit after tax and before transaction and separation costs</b>	<b>227</b>	<b>505</b>	<b>481</b>
Losses on disposals of businesses net of transaction and separation costs	(9)	(227)	-
Non-controlling interests	(7)	(6)	(11)
<b>Net profit after income tax from discontinued operations attributable to Equity holders of the Bank</b>	<b>211</b>	<b>272</b>	<b>470</b>

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

## 11.3 Discontinued operations (continued)

Earnings per share for profit from discontinued operations attributable to equity holders of the parent:

	Full Year Ended <sup>(1)</sup>		
	30 Jun 19	30 Jun 18	30 Jun 17
	Cents per Share		
Earnings per share from discontinued operations:			
Basic	11. 9	15. 5	27. 4
Diluted	11. 1	14. 5	25. 9

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

### Cash flow statement

	Full Year Ended <sup>(1) (2)</sup>		
	30 Jun 19	30 Jun 18	30 Jun 17
	\$M	\$M	\$M
Net cash used in operating activities	(563)	(543)	(739)
Net cash from investing activities	809	1,080	1,120
Net cash used in financing activities	(180)	(659)	(122)
<b>Net cash (outflows)/inflows from discontinued operations</b>	<b>66</b>	<b>(122)</b>	<b>259</b>

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

(2) Represents cash flows from the underlying businesses classified as discontinued operations and excludes proceeds from disposal.

## 11.3 Discontinued operations (continued)

### Balance sheet

The balance sheet of the Group's interest in CommInsure Life, Sovereign, BoCommLife, PTCL, CFSGAM and Count Financial are set out in the table below. TymeDigital SA did not meet the held for sale classification criteria as at 30 June 2018. Count Financial met the held for sale criteria as at 30 June 2019 but has not been reclassified as a discontinued operation.

	As at <sup>(1)</sup>	
	30 Jun 19 \$M	30 Jun 18 \$M
<b>Assets held for sale</b>		
Cash and liquid assets	354	108
Assets at fair value through Income Statement	10,417	11,867
Investment securities at fair value through other comprehensive income	260	-
Available-for-sale investments	-	10
Intangible assets	2,049	1,372
Property, plant and equipment	1,510	1,225
Investment in associates and joint ventures	607	401
Deferred tax assets	145	13
Other assets	1,207	630
<b>Total assets <sup>(2)</sup></b>	<b>16,549</b>	<b>15,626</b>
<b>Liabilities held for sale</b>		
Insurance policy liabilities	10,854	11,188
Deferred tax liabilities	404	763
Deposits and other public borrowings	1,268	871
Managed funds units on issue	2,197	1,698
Other liabilities	1,073	380
<b>Total liabilities</b>	<b>15,796</b>	<b>14,900</b>

(1) Intragroup balances have been eliminated; however it will impact the final gain/loss on disposal of the discontinued operations.

(2) Includes assets of Count Financial classified as held for sale as at 30 June 2019 and assets of the businesses classified as discontinued operations. Excludes other assets classified as held for sale.

As at 30 June 2019, the foreign currency translation reserve relating to discontinued operations was \$69 million (30 June 2018: \$63 million, 30 June 2017: \$61 million); the investment securities revaluation reserve relating to discontinued operations was \$11 million.

As at 30 June 2018 and 30 June 2017, the available-for-sale investments revaluation reserve relating to discontinued operations was \$4 million and \$13 million respectively.

# 12. Other

## Overview

This section includes other information about the Group's operations that is disclosed to provide a more complete view of our business. It includes customer related commitments and contingent liabilities that arise in the ordinary course of business through certain lending arrangements. In addition, it covers the impact of adopting new accounting standards, notes to the statement of cash flows, lease commitments and remuneration of auditors. Finally, details of events that have taken place subsequent to the Balance Sheet date are provided.

## 12.1 Contingent liabilities, contingent assets and commitments arising from the banking business

Details of contingent liabilities and off Balance Sheet instruments are presented below and in Note 7.1. The face (contract) value, as disclosed below, represents the maximum amount that could be lost if the counterparty fails to meet its financial obligations. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty. The credit commitments shown in the table below also constitute contingent assets. These commitments would be classified as loans and other assets in the Balance Sheet should they be drawn upon by the customer.

	Group			
	Face Value		Credit Equivalent	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Credit risk related instruments</b>				
Guarantees	6,506	6,265	5,387	5,185
Documentary letters of credit	326	761	322	753
Performance related contingents	4,722	4,610	2,362	2,531
Commitments to provide credit	162,202	162,090	154,408	157,636
Other commitments	2,050	1,470	2,040	1,470
<b>Total credit risk related instruments</b>	<b>175,806</b>	<b>175,196</b>	<b>164,519</b>	<b>167,575</b>

	Bank			
	Face Value		Credit Equivalent	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
<b>Credit risk related instruments</b>				
Guarantees	6,026	5,835	4,907	4,754
Documentary letters of credit	249	720	248	715
Performance related contingents	4,722	4,593	2,362	2,514
Commitments to provide credit	146,483	147,098	140,035	144,102
Other commitments	1,973	1,360	1,963	1,360
<b>Total credit risk related instruments</b>	<b>159,453</b>	<b>159,606</b>	<b>149,515</b>	<b>153,445</b>

## 12.1 Contingent liabilities, contingent assets and commitments arising from the banking business (continued)

### Accounting policies

Credit default financial guarantees are unconditional undertakings given to support the obligations of a customer to third parties. Other forms of financial guarantees include documentary letters of credit which are undertakings by the Group to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer. Financial guarantees are recognised within other liabilities and are initially measured at their fair value, equal to the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement, and the expected credit loss recognised under AASB 9. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognised in the Income Statement in other operating income on a straight line basis over the life of the guarantee.

Performance related contingencies are undertakings that oblige the Group to pay third parties should a customer fail to fulfil a contractual non-monetary obligation. Performance related contingencies are performance guarantees and do not meet the definition of a financial guarantee, because they do not transfer credit risk. Performance guarantees are recognised when it is probable that an obligation has arisen. The amount of any provision is the best estimate of the amount required to fulfil the obligation.

Commitments to provide credit include all obligations on the part of the Group to provide credit facilities (unutilised credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Group subject to notice conditions. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Under AASB 9 loan commitments must be measured with reference to the quantum of expected credit losses required to be recognised. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the Group together with the drawn component as a single credit exposure. The exposure at default on the entire facility is therefore used to calculate the cumulative expected credit losses. Upon a loan drawdown by the counterparty, the amount of the loan is accounted for in accordance with accounting policies for loans and receivables.

Other commitments to provide credit include commitments with certain drawdowns, standby letters of credit and bill endorsements.

The details of the Group's accounting policies and critical judgements and estimates involved in calculating the AASB 9 impairment provisions for the year ended 30 June 2019 are provided in Note 1.1.

## 12.2 Lease commitments

	Group		Bank	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Lease Commitments - Property, Plant and Equipment				
Due within one year	673	681	626	619
Due after one year but not later than five years	1,805	1,764	1,668	1,593
Due after five years	1,600	1,811	1,466	1,658
<b>Total lease commitments - property, plant and equipment</b>	<b>4,078</b>	<b>4,256</b>	<b>3,760</b>	<b>3,870</b>

### Lease arrangements

Operating leases are entered into to meet the business needs of entities in the Group. Leases are primarily over commercial and retail premises and plant and equipment.

Lease rentals are determined in accordance with market conditions when leases are entered into or on rental review dates. The total expected future sublease payments to be received are \$77 million as at 30 June 2019 (2018: \$88 million).

## 12.3 Notes for the statements of cash flows

### (a) Reconciliation of net profit after income tax to net cash provided by/ (used in) operating activities

	Group			Bank	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Net profit after income tax	8,590	9,348	9,952	7,783	8,875
(Increase)/decrease in interest receivable	(36)	(62)	(14)	537	(17)
(Decrease)/increase in interest payable	(69)	112	(26)	(104)	243
Net (increase)/decrease in assets at fair value through Income Statement (excluding life insurance)	(4,935)	1,536	2,788	(3,089)	2,079
Net loss/(gain) on sale of controlled entities and associates	61	184	(2)	236	172
Net movement in derivative assets/liabilities	6,606	3,381	(492)	8,873	4,830
Net loss/(gain) on sale of property, plant and equipment	9	17	(6)	11	17
Equity accounting (profit)/loss	(231)	(287)	(292)	63	7
Loan impairment expense	1,201	1,079	1,095	1,058	963
Depreciation and amortisation (including asset write downs)	1,011	968	1,229	912	777
(Decrease)/increase in liabilities at fair value through Income Statement (excluding life insurance)	(603)	(258)	121	(1,013)	(41)
Increase in other provisions	783	156	114	722	205
(Decrease)/increase in income taxes payable	(1,082)	(461)	603	(1,573)	(484)
(Decrease)/increase in deferred tax liabilities	(457)	400	(14)	(27)	-
Decrease/(increase) in deferred tax assets	67	(538)	(573)	(140)	(106)
(Increase)/decrease in accrued fees/reimbursements receivable	(111)	20	(238)	(53)	(68)
(Decrease)/increase in accrued fees and other items payable	(340)	631	18	(775)	801
Decrease in life insurance contract policy liabilities	(787)	(836)	(1,240)	-	-
Cash flow hedge ineffectiveness	(4)	(4)	(20)	(6)	4
Loss/(gain) on changes in fair value of hedged items	558	(765)	799	(624)	(763)
Dividend received - controlled entities and associates	-	-	-	(1,473)	(2,085)
Changes in operating assets and liabilities arising from cash flow movements	6,577	(15,461)	(15,228)	7,157	(15,771)
Other	1,278	1,949	619	635	1,953
<b>Net cash provided by/(used in) operating activities</b>	<b>18,086</b>	<b>1,109</b>	<b>(807)</b>	<b>19,110</b>	<b>1,591</b>

### (b) Reconciliation of cash

For the purposes of the Statements of Cash Flows, cash includes cash and money at short call.

	Group			Bank	
	30 Jun 19 \$M	30 Jun 18 \$M	30 Jun 17 \$M	30 Jun 19 \$M	30 Jun 18 \$M
Notes, coins and cash at banks	16,930	17,110	14,836	15,633	15,586
Other short-term liquid assets	80	5,895	8,281	(99)	5,765
<b>Cash and cash equivalents at end of year</b>	<b>17,010</b>	<b>23,005</b>	<b>23,117</b>	<b>15,534</b>	<b>21,351</b>

## 12.3 Notes for the statements of cash flows (continued)

### (c) Non-cash financing and investing activities

	Group		
	30 Jun 19	30 Jun 18	30 Jun 17
	\$M	\$M	\$M
Shares issued under the Dividend Reinvestment Plan	748	2,105	1,143

### (d) Disposal of controlled entities

	Group		
	30 Jun 19	30 Jun 18	30 Jun 17
	\$M	\$M	\$M
Net assets	1,128	-	-
Cash consideration received	1,304	-	-
Cash and cash equivalents held in disposed entities	45	-	-

## 12.4 Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group and the Bank, and its network firms:

	Group		Bank	
	30 Jun 19	30 Jun 18	30 Jun 19	30 Jun 18
	\$'000	\$'000	\$'000	\$'000
<b>a) Audit and audit related services</b>				
<b>Audit services</b>				
PricewaterhouseCoopers Australian firm	23,858	21,292	16,776	14,040
Network firms of PricewaterhouseCoopers Australian firm	5,334	5,939	1,204	1,027
Total remuneration for audit services	29,192	27,231	17,980	15,067
<b>Audit related services</b>				
PricewaterhouseCoopers Australian firm	3,809	4,416	2,630	3,736
Network firms of PricewaterhouseCoopers Australian firm	1,697	2,133	34	145
Total remuneration for audit related services	5,506	6,549	2,664	3,881
<b>Total remuneration for audit and audit related services</b>	<b>34,698</b>	<b>33,780</b>	<b>20,644</b>	<b>18,948</b>
<b>b) Non-audit services</b>				
<b>Taxation services</b>				
PricewaterhouseCoopers Australian firm	925	757	228	561
Network firms of PricewaterhouseCoopers Australian firm	470	1,508	266	481
Total remuneration for tax related services	1,395	2,265	494	1,042
<b>Other Services</b>				
PricewaterhouseCoopers Australian firm	7,315	10,955	7,315	10,933
Network firms of PricewaterhouseCoopers Australian firm	600	66	3	-
Total remuneration for other services	7,915	11,021	7,318	10,933
<b>Total remuneration for non-audit services</b>	<b>9,310</b>	<b>13,286</b>	<b>7,812</b>	<b>11,975</b>
<b>Total remuneration for audit and non-audit services <sup>(1)</sup></b>	<b>44,008</b>	<b>47,066</b>	<b>28,456</b>	<b>30,923</b>

(1) An additional amount of \$10,497,464 (2018: \$11,850,256) was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the Financial Statements. Of this amount, \$7,521,734 (2018: \$8,093,111) relates to audit and audit-related services.

## 12.4 Remuneration of auditors (continued)

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence. All such services were approved by the Audit Committee in accordance with pre-approved policies and procedures.

Audit related services principally include assurance and attestation relating to sustainability reporting and comfort letters over financing programmes as well as reviews of internal control systems.

Taxation services include assistance with tax software configuration as well as advice regarding tax returns and submissions, and Australia/foreign tax legislation.

Other services include benchmarking and process reviews on the Bank's response to the Royal Commission, IT security assessments, and consulting services related to corporate transactions.

## 12.5 Future accounting developments

### Adoption of AASB 16 'Leases'

On 1 July 2019, the Group adopted AASB 16 'Leases' replacing the previous standard AASB 117 'Leases'. AASB 117 required leases to be classified as operating leases or finance leases according to their economic substance at inception of the lease. Finance leases were recognised on the Balance Sheet. Operating leases were not recognised on the Balance Sheet and rent payable was recognised as an expense over the lease term.

AASB 16 introduces a single accounting model for recognising and measuring lease arrangements. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. Lessor accounting remains largely unchanged from the previous standard. Under lessee accounting, AASB 16 requires all leases to be recognised on the Balance Sheet, unless the underlying asset is of low value or the lease has a term of 12 months or less.

From 1 July 2019, the Group will recognise a 'right-of-use asset' representing its right to use leased assets and a 'lease liability', measured as the present value of future lease payments. The income statement will include depreciation of the right-of-use asset and interest expense on the lease liability over the lease term. Total lease expense recognised over the life of a lease remains unchanged as compared to AASB 117, however the timing of expense recognition changes, with a higher expense recognised in the earlier stages of a lease due to the interest expense being determined on the lease liability that amortises over the lease term.

The Group has applied the modified retrospective approach in adopting AASB 16, and measured the right-of-use asset for certain existing premises as if AASB 16 has always been applied. The resulting transition adjustments will be recognised in opening retained profits. For other leases, the right-of-use asset is measured as equal to the lease liability. Under this approach no restatement to comparative information is required. The adoption of AASB 16 is expected to increase assets by approximately \$2,755 million and increase liabilities by approximately \$2,951 million. This will result in a post-tax decrease in retained profits of \$138 million and an increase in deferred tax asset of \$58 million. This predominantly relates to leases over the Group's commercial and retail premises. Management judgement applied in determining these values includes the determination of whether an arrangement contains a lease, the term of the lease, the discount rate and future lease cash flows.

### Interest Rate Benchmark Reform

Interbank offered rates (IBORs), such as LIBOR, play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments. The global regulatory community has initiated various programmes to develop alternative benchmarks (known as "IBOR reform") within certain jurisdictions. In response to the uncertainty about the long-term viability of these benchmark rates, the IASB announced in 2018 that it would establish a project to consider the financial reporting implications of the reform. It is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, loan modifications, as well as fair value methodologies and disclosures. In May 2019, the IASB published an Exposure Draft Interest Rate Benchmark Reform which proposes exceptions to specific hedge accounting requirements in IFRS 9 and IAS 39. The IASB expects to issue final guidance later in 2019. The Group is monitoring these developments and continues to assess the expected impact.



## 12.5 Future accounting developments (continued)

### Other Accounting Developments

AASB 17 'Insurance Contracts', amends the accounting for insurance contracts and will replace AASB 4 'Insurance Contracts', AASB 1023 'General Insurance Contracts' and AASB 1038 'Life Insurance Contracts'. AASB 17 will apply to the Group from 1 July 2021. The impact of AASB 17 is dependent on the Group's composition at the time of adoption. The Group is still assessing the impact of AASB 17.

AASB Interpretation 23 'Uncertainty over Income Tax Treatments' (Interpretation 23) clarifies the recognition and measurement criteria where there is uncertainty over income tax treatments. It requires an assessment of each uncertain tax position to determine whether it is probable that a taxation authority will accept the position. Where it is not considered probable, the effect of the uncertainty will be reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates. The amount will be determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements will be reassessed as and when new facts and circumstances are presented. Interpretation 23 will apply to the Group from 1 July 2019, and is not expected to have a significant impact on the Group.

A revised conceptual framework has been issued, which contains new definitions and recognition criteria for assets, liabilities, income and expenses in the framework. These changes will apply to the Group from 1 July 2020, where the criteria are not inconsistent with the specific requirements of an accounting standard. The changes are not expected to have a significant impact on the Group.

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

## 12.6 Accounting policies applicable for comparative periods

The Group adopted AASB 9 and AASB 15 on 1 July 2018. The Group's current accounting policies for the recognition and measurement of financial assets are detailed in Notes 3.1, 3.2, 5.2, 5.3 and 5.4 and the recognition of revenue from contracts with customers is detailed in Note 2.3. A summary of accounting policies that applied to financial instruments and revenue recognition for the comparative periods is provided below.

### Financial instruments

The Group classifies its financial assets in the following categories:

- available-for-sale investments;
- loans and receivables;
- financial assets at fair value through the Income Statement; and
- derivative assets.

The classification of financial instruments at initial recognition depends on their purpose, characteristics and management's intention when acquiring them.

#### *Available-for-sale investments*

The Group Available-for-sale (AFS) investments are non-derivative financial assets that are not classified at fair value through the Income Statement or as loans and receivables. They primarily include public debt securities held as part of the Group's liquidity portfolio. Subsequent to initial recognition, AFS investments are measured at fair value with unrealised gains and losses arising from changes in fair value recognised in the AFS investment reserve within equity, net of applicable income taxes until such investments are sold, collected, otherwise disposed of, or become impaired. Interest, premiums and dividends are recognised in the Income Statement when earned. Foreign exchange gains and losses on AFS equity instruments are recognised directly in equity.

The Group assesses at each Balance Sheet date, whether there is any objective evidence of impairment as a result of one or more events which have an impact on the estimated future cash flows of the AFS investments that can be reliably estimated. For equity securities classified as an AFS investment, the main indicators of impairment are significant changes in the market, economic or legal environment and a significant or prolonged decline in fair value below cost. If any such evidence exists for AFS investments, cumulative losses are removed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of an AFS debt security increases and the increase can be linked objectively to an event occurring after the impairment event, the impairment is reversed through the Income Statement. Impairment losses on AFS equity securities are not reversed. Upon disposal, the accumulated change in fair value within the AFS investments reserve is transferred to the Income Statement and reported within Other Banking Income.

## 12.6 Accounting policies applicable for comparative periods (continued)

### Financial instruments (continued)

#### *Loans and receivables*

Loans, bills discounted and other receivables are financial assets, with fixed and determinable payments that are not quoted in an active market. Loans, bills discounted and other receivables include overdrafts, home loans, credit card and other personal lending, term loans, discounted bills and finance leases. Loans and receivables are recognised on settlement date, when funding is advanced to the borrowers. The loans and receivables are initially recognised at their fair value plus directly attributable transaction costs such as broker fees. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method and are presented net of provisions for impairment. Discounted bills are included in this category due to their financing nature, however they meet the definition of a trading asset. They are measured at fair value through the Income Statement with directly attributable transaction costs expensed.

The Group assesses at each Balance Sheet date whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on loans and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted. Loans and other receivables are presented net of provisions for loan impairment.

Guarantees and other contingent liabilities are accounted for as off Balance Sheet items. Provisioning for these exposures is calculated under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'. Loan assets under committed lending facilities are not recognised until the facilities are drawn upon. However, the Group has determined that it is appropriate to establish provisions in relation to such facilities where a customer has been downgraded. These provisions are disclosed as other liabilities in the Balance Sheet.

Provisions for impairment of financial assets are raised to cover assessed credit related losses where there is objective evidence of impairment (i.e. where the Group does not expect to receive all of the cash flows contractually due). Individually assessed provisions against loans are subject to change as new information becomes available to reassess the level of impairment against a loan.

Loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the Balance Sheet date. Increases or decreases in the provision amount are recognised in the Income Statement.

#### *Financial assets at fair value through the Income Statement*

These assets are categorised as assets held for trading, insurance assets and other investments. Trading assets are those acquired for the purpose of selling or repurchasing in the near term. Insurance assets are investments that back life insurance and life investment contracts. Other assets are those that are designated at fair value through Income Statement at inception. Subsequent to initial recognition, financial assets are measured at fair value with changes in fair value recognised in Other Banking Income.

#### *Derivative financial instruments*

Derivatives are initially measured at fair value. Subsequent to initial recognition, gains or losses on derivatives are recognised in the Income Statement, unless they are entered into for hedging purposes and designated into a cash flow hedge.

### Revenue recognition

Lending fees and commission income include:

- Facility fees earned for managing and administering credit and other facilities for customers, which are recognised over the service period;
- Commitment fees to originate a loan that is unlikely to be drawn down which are recognised when the commitment is issued; and
- Fee income earned for providing advisory or arrangement services, placement and underwriting services, which are recognised when the related service is completed.

Trading income represents both realised and unrealised gains and losses from changes in the fair value of trading assets, liabilities and derivatives, which are recognised in the period in which they arise.

Net gain/(loss) on non-trading financial instruments includes realised gains and losses from non-trading financial assets and liabilities (i.e. available-for-sale investments), as well as realised and unrealised gains and losses on non-trading derivatives that are held for risk management purposes.

Net gain/(loss) on the sale of property, plant and equipment is the difference between proceeds received and their carrying values.

Net hedging ineffectiveness is measured on fair value, cash flow and net investment hedges.

Dividends received on non-trading equity investments including controlled entities are recognised either on the ex-dividend date or when the right to receive payment is established.

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## 12.6 Accounting policies applicable for comparative periods (continued)

### Revenue recognition (continued)

Net funds management operating income includes fees earned where the Group acts as the Responsible Entity, Trustee or Manager for a number of wholesale, superannuation, and investment funds or trusts. Management fees are recognised over the service period.

Performance fees are recognised when it is probable that the revenue will be received.

General insurance premiums received and receivable are recognised as revenue when they are earned, based on actuarial assessment of the likely pattern in which risk will emerge. The portion not yet earned based on the pattern assessment is recognised as unearned premium liability. Claims are recognised as an expense when the liability is established.

The Group recognises its share of the profits or losses from associate or joint venture investments, less any dividends received or impairment recognised.

Other income includes rental income on operating leases which are recognised on a straight line basis over the lease term. This is offset by depreciation and impairment expense on the associated operating lease assets held by the Group. For the Bank, this includes management fee income for services provided to subsidiaries.

Other income also includes the impact of foreign currency revaluations for foreign currency monetary assets and liabilities. These assets and liabilities are retranslated at the spot rate at balance date. Exchange differences arising upon settling or translating monetary items at different rates to those at which they were initially recognised or previously reported, are recognised in the Income Statement.

## 12.7 Subsequent events

### Dividend Reinvestment Plan (DRP)

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

### Completion of CFSGAM Sale

On 31 October 2018, the Group announced the sale of Colonial First State Global Asset Management (CFSGAM) to Mitsubishi UFJ Trust and Banking Corporation (MUTB). The sale of CFSGAM completed on 2 August 2019, resulting in final sale proceeds of \$4.2 billion and a total post tax gain of \$1.5 billion (inclusive of separation costs and subject to final tax calculations and completion adjustments).

### Update on Aligned Advice businesses

#### Ceasing to provide licensee services through Financial Wisdom

The Group has decided to cease providing licensee services through Financial Wisdom and will proceed with an assisted closure. The Group will support advisers through an orderly transition to alternative arrangements, including self-licensing or joining another licensee. The Group will also continue to manage customer remediation arising from past issues at Financial Wisdom. The cost of customer remediation for Financial Wisdom has been included in customer remediation provisions recognised by the Group during the year.

#### Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) advisers to transition to new licensee arrangements

In July 2019, the Group reached a decision to allow CFP-Pathways advisers to transition to self-licensing arrangements or move to another licensee.

The estimated pre-tax costs of supporting the Financial Wisdom and CFP-Pathways businesses, their advisers and their customers through this transition, as well as other internal project costs, is approximately \$26 million.

### Investment in Klarna Holding AB (Klarna)

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

## Directors' declaration

The Directors of the Commonwealth Bank of Australia declare that in their opinion:

- (a) the consolidated financial statements and notes for the year ended on 30 June 2019, as set out on pages 40 to 199, are in accordance with the *Corporations Act 2001 (Cth)*, including:
  - (i) complying with the Australian Accounting Standards and any further requirements in the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the year ended 30 June 2019;
- (b) there are reasonable grounds to believe that the Commonwealth Bank of Australia will be able to pay its debts as and when they become due and payable.

Note 1.1 of the consolidated financial statements includes a statement of compliance with the International Financial Reporting Standards.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001 (Cth)* for the year ended 30 June 2019.

This declaration is made in accordance with a resolution of the Directors.



Catherine Livingstone AO  
Chairman  
7 August 2019



Matt Comyn  
Managing Director and Chief Executive Officer  
7 August 2019



## *Independent auditor's report*

To the members of the Commonwealth Bank of Australia

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of the Commonwealth Bank of Australia (the Bank) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Bank's and Group's financial positions as at 30 June 2019 and of their financial performance for the year then ended; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### ***What we have audited***

The Bank and Group financial report comprises:

- the Bank and the Group balance sheets as at 30 June 2019;
- the Bank and the Group income statements for the year then ended;
- the Bank and the Group statements of comprehensive income for the year then ended;
- the Bank and the Group statements of changes in equity for the year then ended;
- the Bank and the Group statements of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

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#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of this report.

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

#### ***Independence***

We are independent of the Bank and the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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## Our audit approach

### Bank and Group audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Bank and the Group, their accounting processes and controls and the industries in which they operate. We also ensured that the audit team had the appropriate skills and competencies needed for the audit of a complex financial services group. This included industry expertise in retail, business and institutional banking, and insurance and wealth management financial services, as well as specialists and experts in IT, actuarial, tax, treasury and valuation.

The Group is structured into 6 business segments being Retail Banking Services (RBS), Business and Private Banking (B&PB), Institutional Banking and Markets (IB&M), Wealth Management (WM), New Zealand (NZ), International Financial Services and Corporate Centre (IFS and Corporate Centre).

In designing our scope we considered the structure of the Bank and the Group and further identified those entities or business activities within each business segment for which the Bank and the Group prepares financial information for inclusion in the financial report (referred to as components).

The nature, timing and extent of audit work performed for each component was determined by the components' risk characteristics and financial significance to the Bank and the Group and consideration of whether sufficient evidence had been obtained for our opinion on the financial report as a whole. This involved either:

- an audit of the complete financial information of a component (full scope);
- an audit of one or more of the component's account balances, classes of transactions or disclosures (specified scope);
- analytical procedures performed at the Group level; or
- audit procedures at a Group level, including over the consolidation of the Group's reporting units and the preparation of the financial report.

Number of Components by Scope



Set out on the next page is an overview of our Bank and Group audit approach highlighting key aspects of our audit.



Scoping and Performance of Procedures		Reporting	
Component	Audit Scope	Key Audit Matters	Audit opinion
RBS	Bank and Group – Full scope	Areas in our professional judgement which were of most significance in our audit	Opinion on the financial report as a whole
B&PB	Bank and Group – Full scope		
IB&M	Bank and Group – Full scope		
NZ - ASB <sup>1</sup>	Group – Full scope		
WM – Colonial First State	Bank and Group – Specified scope		
WM – Global Asset Management	Bank and Group – Specified scope		
WM - Colonial Mutual Life Assurance <sup>1</sup>	Group – Specified scope		
IFS – Continuing operations	Group – Other procedures		
IFS – PT Commonwealth Life	Group – Other procedures		

<sup>1</sup> Full scope audits are performed for the purposes of standalone legal entity statutory financial reports as required.

### Bank and Group materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Items are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of the financial report.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank and Group materiality for the financial report, which we have set out in the table below:

<b>Overall Bank and Group materiality</b>	\$510 million (2018: \$615 million)
<b>How we determined it</b>	Approximately 5% of 2019 financial year profit before tax (PBT) (2018: approximately 5% of 2018 financial year PBT) for the Bank.
<b>Rationale for the materiality benchmark applied</b>	<p>We chose net profit before income tax because, in our view, it is the metric against which the performance of the Bank and the Group is most commonly measured and is a generally accepted benchmark in the financial services industry.</p> <p>We performed our audit over both the Bank and the Group financial information concurrently. We apply the lower of materiality calculated based on the Bank or the Group PBT in order to avoid duplication of work. As the Bank has a lower PBT, we calculated materiality based on the Bank PBT and applied this during the audit of both the Bank and the Group.</p> <p>We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable quantitative materiality measures.</p>



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current year. We describe each key audit matter and include a summary of the principal audit procedures we performed to address those matters in the table below.

The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee. The key audit matters identified below relate to both the Bank and the Group audit with the exception of the valuation of insurance policy holder liabilities which relates only to the Group.

Key audit matter	How our audit addressed the key audit matter
<b>Loan impairment provisions</b> (Bank and Group Level; Relevant components: RBS, B&PB, IB&M, NZ - ASB)	
<p>AASB 9 <i>Financial Instruments</i> was adopted by the Bank and the Group for the financial year beginning 1 July 2018.</p> <p>Insofar as it applies to loan impairment provisions, AASB 9 introduces an expected credit loss (ECL) impairment model which takes into account forward-looking information reflecting potential future economic events. The Bank and the Group developed new models which are reliant on data as well as a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk.</p> <p>We considered this a key audit matter due to the subjective judgements made by the Bank and the Group in determining when to recognise impairment provisions including:</p> <ul style="list-style-type: none"> <li>Models used to calculate ECLs (ECL models) are inherently complex and judgement is applied in determining the appropriate construct of model to be applied; and</li> <li>A number of assumptions are made by the Bank and Group concerning the values of inputs to the ECL models and how inputs correlate with one another.</li> </ul> <p>Provisions for impairment of loans that exceed specific thresholds are individually assessed by the Bank and the Group. These provisions are</p>	<p>We developed an understanding of the controls relevant to our audit over the following areas and assessed whether they were appropriately designed and were operating effectively throughout the year on a sample basis:</p> <ul style="list-style-type: none"> <li>Review and approval of forward looking information used in ECL models;</li> <li>Reliability and accuracy of critical data elements used in ECL models; and</li> <li>Review and approval of ECL model adjustments and the ECL loan impairment provisions by the Bank's and the Group's Loan Loss Provisioning Committee (LLPC).</li> </ul> <p>In addition to controls testing, we along with PwC actuarial experts, performed the following audit procedures, amongst others on a sample basis:</p> <ul style="list-style-type: none"> <li>Assessed the ECL model methodology applied against general market practice and the results of model monitoring performed, including back-testing of actual losses against predicted losses;</li> <li>Considered the Bank's and the Group's judgements including the reasonableness of forward-looking information incorporated into the ECL</li> </ul>



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<b>Loan impairment provisions</b> ( <i>Bank and Group Level; Relevant components: RBS, B&amp;PB, IB&amp;M, NZ - ASB</i> )	
<p>established based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Bank and the Group in respect of those loans. During the financial year ended 30 June 2019, the majority of the Bank's and the Group's individually assessed provisions for specific lending assets related primarily to business and corporate loans.</p> <p><b>Relevant references in the financial report</b> Refer notes 1.1 and 3.2 for further information.</p>	<p>models by assessing the forecasts, assumptions and probability weightings applied in the multiple economic scenarios;</p> <ul style="list-style-type: none"> <li>· Agreed a sample of data used as input to the ECL models to relevant source documentations;</li> <li>· Compared the modelled calculations to our own calculated expectations as determined by independently applying the model methodology; and</li> <li>· Assessed the appropriateness of model adjustments identified by the Bank and the Group against internal and external supporting information.</li> </ul> <p>For a selection of individually assessed provisions for specific lending assets, we performed the following audit procedures, amongst others:</p> <ul style="list-style-type: none"> <li>· Examined cashflow forecasts supporting the impairment calculation by assessing judgements (in particular the amount and timing of recoveries) made by the Bank and the Group in the context of the borrowers' circumstances based on the detailed loan and counterparty information known by the Bank and the Group; and</li> <li>· Compared inputs in the Bank's and the Group's estimates (such as valuation of collateral held) to external information where available.</li> </ul> <p>We also assessed the appropriateness of the Group's disclosures against the requirements of Australian Accounting Standards.</p>



## Key audit matter

## How our audit addressed the key audit matter

### **Judgemental valuation of financial instruments** (Bank and Group Level; Relevant components: IB&M, NZ – ASB, WM – Colonial Mutual Life Assurance)

The Bank and Group hold financial instruments measured at fair value representing 14% of the total assets and 4% of the total liabilities of the Bank and 15% of the total assets and 4% of the total liabilities of the Group. The financial instruments held at fair value include:

- Derivative assets and liabilities;
- Investment securities at fair value though other comprehensive income;
- Life insurance assets and liabilities; and
- Bills discounted and other assets and liabilities designated at fair value.

The majority of the Bank's and the Group's financial instruments are considered to be non-complex in nature as fair value is based on prices and rates that can be easily observed in the relevant markets. On this basis the majority of the Bank's and the Group's financial instruments are classified under Australian Accounting Standards as either 'Level 1' (i.e. where key inputs to the valuation is based on quoted prices in the market) or 'Level 2' (i.e. where key inputs to the valuation is based on observable prices in the market). We considered these Level 1 and Level 2 financial instruments to be a key audit matter due to their financial significance to the Bank and the Group.

The Group also holds a limited number of financial instruments considered to be 'Level 3' in nature under Australian Accounting Standards (i.e. where key inputs to the valuation require additional judgement as observable inputs are not available in the market due to market illiquidity or complexity of the product) primarily in respect to complex derivatives, certain asset-backed securities and infrastructure funds. While the Bank's and the Group's holdings of such instruments is limited relative to total

We developed an understanding of the controls relevant to our audit over the following areas and assessed whether they were appropriately designed and were operating effectively throughout the year:

- Valuation model governance control framework;
- Completeness and accuracy of data inputs, including sourcing independent market data inputs;
- Methodology for the determination of fair value adjustments; and
- The Bank and Group's assessment of its own models used to measure fair value.

In relation to the fair value of financial instruments as at 30 June 2019, together with PwC valuation experts, we compared the Bank's and the Group's calculation of fair value to our own independent calculation across a sample of financial instruments. This involved sourcing independent inputs from market data providers or external sources and using our own valuation models. We considered the results to assess whether there was evidence of systemic bias or error in the Bank and the Group's calculation of fair value.



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<b>Judgemental valuation of financial instruments</b> <i>(Bank and Group Level; Relevant components: IB&amp;M, NZ – ASB, WM – Colonial Mutual Life Assurance)</i>	

financial instrument holdings, we considered their valuation to be a key audit matter because there is more judgement involved in determining their value.

**Relevant references in the financial report**

Refer notes 1.1, 4.2, 5.2, 5.3, 5.4 and 9.5 for further information.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<b>Provisions for customer remediation and project costs associated with regulatory compliance matters</b> <i>(Bank and Group level; Relevant components: All)</i>	

The Bank and the Group have assessed the need to raise provisions in relation to customer remediation payments, legal proceedings, project costs associated with compliance matters and investigations and reviews from its regulators including APRA's Enforceable Undertaking, amongst others.

We considered this a key audit matter due to the subjective judgements required by the Bank and the Group in determining:

- the probability of financial outcomes based on available information;
- the estimate of customer remediation payment amounts; and
- the project costs associated with the remediation activities, and regulatory proceedings, investigations and reviews.

**Relevant references in the financial report**

Refer notes 1.1 and 7.1 for further information.

We developed an understanding of the Bank's and the Group's processes for identifying and assessing the impact of customer remediation payments, legal proceedings and project costs associated with compliance matters and investigations and reviews from its regulators.

We read the minutes of the Bank's main governance meetings (i.e. Audit Committee, Risk Committee and Board of Directors), attended the Bank's Audit and Risk Committee meetings and considered correspondence with relevant regulatory bodies.

We discussed ongoing legal matters with the directors and management. We obtained written representations from the Group Chief Executive Officer, Chief Financial Officer and Group General Counsel and obtained access to relevant documents in order to develop our understanding of the matters.

For material provisions, we considered the judgement as to whether there is potential material financial exposure for the Bank and the Group, and if so, the amount of any provision required. This included

- inspecting the Bank's and the Group's underlying calculations and assumptions made against available information; and



Key audit matter	How our audit addressed the key audit matter
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<b>Provisions for customer remediation and project costs associated with regulatory compliance matters</b> (Bank and Group level; Relevant components: All)	<ul style="list-style-type: none"> <li>· assessing assumptions in light of historical trends, if possible; or</li> <li>· developing an understanding of the basis of estimating the provisions and discussing the assumptions, including costs of identifying and remediating affected customers.</li> </ul> <p>Where the Bank and the Group determined that they were unable to reliably estimate the possible financial impact of a remediation activity or investigations, we considered relevant information available in relation to the activities and investigations to assess the appropriateness of this conclusion.</p> <p>We also assessed the adequacy of related disclosures against the requirements of Australian Accounting Standards.</p>
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Key audit matter	How our audit addressed the key audit matter
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<b>Valuation of insurance policyholder liabilities</b> (Group Level; Relevant components: WM - Colonial Mutual Life Assurance)	
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We considered this a key audit matter because the Group's valuation of the provisions for the settlement of future insurance claims involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in a material impact to the valuation of these liabilities. The Group's insurance policyholder liabilities relate to the life insurance businesses.

In determining the valuation of the liabilities, the key actuarial assumptions made by the Group's experts include:

- Expected amount, timing and duration of claims and/or policy payments, likely lapse rates of policies by policyholders, mortality and morbidity rates, acquisition and maintenance expenses; and

To assess the appropriateness of a selection of actuarial assumptions used to determine the value of insurance policyholder liabilities, we along with PwC actuarial experts performed the following audit procedures, amongst others:

- Compared the methodology and models used by the Group to those commonly applied in the insurance industry and recognised by regulatory standards;
- Developed an understanding of and evaluated the relevant controls the Group has in place over processes relating to the valuation of insurance policyholder liabilities. This included the Group's use of models, the quality of oversight and controls over assumptions within those models, and the Group's preparation of the



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<b>Valuation of insurance policyholder liabilities</b> ( <i>Group Level; Relevant components: WM - Colonial Mutual Life Assurance</i> )	
<ul style="list-style-type: none"> <li>Long term economic assumptions including inflation rates.</li> </ul> <p><b>Relevant references in the financial report</b></p> <p>Refer note 1.1 and 11.3 for further information.</p> <p>WM – Colonial Mutual Life Assurance business segment was classified as a discontinued operation as at 30 June 2019.</p>	<ul style="list-style-type: none"> <li>manually calculated components of the liability;</li> <li>Compared inputs (for example inflation rates) used by the Group in calculating the insurance policy liability to relevant supporting evidence, such as external market data;</li> <li>Considered the impact of changes in assumptions and methodologies over the year and compared these to historical experience and industry trends;</li> <li>Compared the underlying supporting data relating to policyholder information used in the Group's valuation to source documentation; and</li> <li>Tested that all relevant policy data was included in the Group's valuation models by reference to source systems.</li> </ul>

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<b>Operation of financial reporting Information Technology (IT) systems and controls</b> ( <i>Bank and Group Level; Relevant components: All</i> )	
<p>We considered this a key audit matter because the Bank's and the Group's operations and financial reporting processes are heavily dependent on IT systems for the processing and recording of a significant volume of transactions.</p> <p>In particular, in common with all banks, access rights to technology are important because they are intended to ensure that changes to applications and data are appropriately authorised. Ensuring staff have appropriate access to IT systems, and that access is monitored, are key controls in mitigating the potential for fraud or error as a result of a change to an application or underlying data.</p>	<p>For material financial statement balances we developed an understanding of the business processes, key controls and IT systems used to generate and support those balances. Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. This involved assessing:</p> <ul style="list-style-type: none"> <li>The technology control environment: the governance processes and controls used to monitor and enforce control consciousness throughout the Group's technology teams;</li> <li>Change management: the processes and controls used to develop, test and</li> </ul>



Key audit matter	How our audit addressed the key audit matter
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<b>Operation of financial reporting Information Technology (IT) systems and controls</b> <i>(Bank and Group Level; Relevant components: All)</i>	
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The Bank's and the Group's controls over IT systems include:

- The framework of governance over IT systems;
- Program development and changes;
- Access to process, data and IT operations; and
- Governance over generic and privileged user accounts.

authorise changes to the functionality and configurations within systems;

- System development: the project disciplines which ensure that new systems are developed to meet a defined business need, are appropriately tested before implementation and that data is converted and transferred completely and accurately;
- Security: the access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts or ensure that data is only changed through authorised means; and
- IT operations: the controls over key operations are used to ensure that any issues that arise are managed appropriately

For IT operations within the scope of our audit where technology services are provided by a third party, we considered:

- Assurance reports from the third party's auditor on the design and operating effectiveness of controls; and
- Managements monitoring control over the third party.

We also carried out tests, on a sample basis, of system functionality that was key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls.

Where we noted design or operating effectiveness matters relating to IT systems and applications controls relevant to our audit, we performed alternative or additional audit procedures.



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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of our limited assurance report over the Non-Financial Performance Metrics as detailed in pages 297 to 304 of the annual report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the directors for the financial report*

The directors of the Bank are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Bank and the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or the Group or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:  
[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.



## *Report on the Remuneration Report*

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### *Our opinion on the Remuneration Report*

We have audited the information on pages 15 to 34 included as part of the Remuneration Report on pages 10 to 34 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report complies with section 300A of the Corporations Act 2001.

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### *Responsibilities*

The directors of the Bank are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized, handwritten-style signature of the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A handwritten signature of Matthew Lunn.

Matthew Lunn  
Partner

Sydney  
7 August 2019



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# Other information



# Other information

## Shareholder information

### Top 20 holders of fully paid Ordinary Shares as at 15 July 2019

Rank	Name of holder	Number of shares	%
1	HSBC Custody Nominees	397,409,964	22.38
2	J P Morgan Nominees Australia	227,194,600	12.79
3	Citicorp Nominees Pty Limited	107,321,430	6.04
4	National Nominees Limited	54,993,385	3.10
5	BNP Paribas Noms Pty Ltd	52,285,037	2.94
6	Bond Street Custodians Limited	10,516,197	0.59
7	Australian Foundation Investment	7,900,000	0.44
8	Netwealth Investments Limited	3,671,926	0.21
9	Navigator Australia	3,557,307	0.20
10	Milton Corporation Limited	3,141,670	0.18
11	Argo Investments Limited	3,103,731	0.17
12	Nulis Nominees (Australia)	1,972,809	0.11
13	Mr Barry Martin Lambert	1,643,613	0.09
14	McCusker Holdings Pty Ltd	1,480,000	0.08
15	Invia Custodian Pty Limited	1,466,696	0.08
16	Australian Executor Trustees Limited <IPS SUPER A/C>	1,390,671	0.08
17	Australian Executor Trustees	1,128,471	0.06
18	BNP Paribas Noms (NZ) Ltd <DRP>	1,118,847	0.06
19	RBC Dexia Investor Services Australia Nominees Pty Limited	1,093,191	0.06
20	Joy Wilma Lambert	1,068,250	0.06

The top 20 shareholders hold 883,457,795 shares which is equal to 49.72% of the total shares on issue.

### Substantial shareholding

The following organisations have disclosed a substantial shareholding notice to ASX. As at 15 July 2019, the Bank has received no further update in relation to these substantial shareholdings.

Name	Number of shares	Percentage of voting power
BlackRock Group <sup>(1)</sup>	86,557,665	5
The Vanguard Group, Inc. <sup>(2)</sup>	88,022,378	5

(1) Substantial shareholder notice dated 16 May 2017.

(2) Substantial shareholder notice dated 20 July 2018.

### Stock exchange listing

The shares of the Commonwealth Bank of Australia (Bank) are listed on the Australian Securities Exchange under the trade symbol of CBA, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank. The Bank is not currently in the market conducting an on market buy-back of its shares.

### Range of shares (fully paid Ordinary Shares and Employee Shares) as at 15 July 2019

Range	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued capital	Number of rights holders <sup>(1)</sup>
1 – 1,000	615,436	74.12	182,687,480	10.32	528
1,001 – 5,000	186,604	22.47	388,993,488	21.97	75
5,001 – 10,000	19,748	2.38	134,440,420	7.59	12
10,001 – 100,000	8,345	1.01	157,362,846	8.89	20
100,001 and over	174	0.02	906,755,273	51.23	1
Total	830,307	100.00	1,770,239,507	100.00	636
Less than marketable parcel of \$500	15,066	1.81	43,989	0.00	-

(1) The total number of rights on issue is 1,377,132 rights which carry no entitlement to vote.

### Voting rights

Under the Bank's Constitution, each ordinary shareholder registered at the record time who is present at a general meeting of the Bank in person or by proxy, attorney or official representative is entitled:

- On a show of hands – to one vote; and

## Shareholder information (continued)

### Voting rights (continued)

- On a poll – to one vote for each share held or represented. Every voting shareholder who casts a vote by direct vote shall also have one vote for each share held or represented.

If a person present at a general meeting represents personally or by proxy, attorney or official representative more than one shareholder, on a show of hands the person is entitled to one vote only even though he or she represents more than one shareholder.

If a shareholder is present in person and votes on a resolution, any proxy or attorney of that shareholder is not entitled to vote.

If more than one official representative or attorney is present for a shareholder:

- None of them is entitled to vote on a show of hands; and
- On a poll only one official representative may exercise the shareholder's voting rights and the vote of each attorney shall be of no effect unless each is appointed to represent a specified proportion of the shareholder's voting rights, not exceeding in aggregate 100%.

### Top 20 holders of CommBank PERLS VII Capital Notes ("PERLS VII") as at 15 July 2019

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	3,047,409	10.15
2	BNP Paribas Noms Pty Ltd	1,151,459	3.84
3	Netwealth Investments Limited	565,792	1.88
4	Bond Street Custodians Limited	305,473	1.02
5	Australian Executor Trustees Limited <IPS SUPER A/C>	268,699	0.90
6	J P Morgan Nominees Australia	243,102	0.81
7	National Nominees Limited	236,403	0.79
8	Navigator Australia	198,460	0.66
9	Nulis Nominees (Australia)	195,930	0.65
10	Citicorp Nominees Pty Limited	147,285	0.49
11	Mutual Trust Pty Ltd	131,020	0.44
12	Australian Executor Trustees	123,924	0.41
13	Dimbulu Pty Ltd	100,000	0.33
14	Invia Custodian Pty Limited	93,039	0.31
15	Tandom Pty Ltd	90,000	0.30
16	Randazzo C & G Developments Pty Ltd	84,286	0.28
17	Tsco Pty Ltd	80,000	0.27
18	Seymour Group Pty Ltd	73,700	0.25
19	Willimbury Pty Ltd	70,673	0.24
20	JMB Pty Ltd	67,850	0.23

The top 20 PERLS VII security holders hold 7,274,504 securities which is equal to 24.25% of the total securities on issue.

### Stock exchange listing

PERLS VII are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPD. Details of trading activity are published in some daily newspapers.

### Range of Securities (PERLS VII) as at 15 July 2019

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	27,458	86.32	9,341,837	31.14
1,001 – 5,000	3,846	12.09	7,719,848	25.73
5,001 – 10,000	294	0.92	2,073,041	6.91
10,001 – 100,000	201	0.63	4,723,503	15.75
100,001 and over	14	0.04	6,141,771	20.47
Total	31,813	100.00	30,000,000	100.00
Less than marketable parcel of \$500	10	0.03	24	0.00

### Voting rights

PERLS VII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 214 and 215 for the Bank's ordinary shares.

## Shareholder information (continued)

### Top 20 holders of CommBank PERLS VIII Capital Notes ("PERLS VIII") as at 15 July 2019

Rank	Name of holder	Number of securities	%
1	BNP Paribas Noms Pty Ltd	3,154,343	21.75
2	HSBC Custody Nominees	1,056,658	7.29
3	Nora Goodridge Investments Pty Limited	130,328	0.90
4	J P Morgan Nominees Australia	103,494	0.71
5	Netwealth Investments Limited	99,456	0.69
6	Piek Holdings Pty Ltd	93,000	0.64
7	Snowside Pty Ltd <SNOWSIDE A/C>	79,083	0.55
8	Nulis Nominees (Australia)	72,445	0.50
9	Bond Street Custodians Limited	67,295	0.46
10	V S Access Pty Ltd <V S ACCESS A/C>	62,482	0.43
11	Dimbulu Pty Ltd	50,000	0.35
12	Mifare Pty Ltd	50,000	0.35
13	Randazzo C & G Developments Pty Ltd	50,000	0.35
14	Navigator Australia	48,837	0.34
15	Adirel Holdings Pty Ltd	47,000	0.32
16	Resthaven Incorporated	45,500	0.31
17	Federation University Australia	45,000	0.31
18	Australian Executor Trustees Limited <IPS Super A/C>	40,485	0.28
19	Taverners J Pty Ltd <TAVERNERS INT UNIT A/C>	37,736	0.26
20	Citicorp Nominees Pty Limited	36,959	0.25

The top 20 PERLS VIII security holders hold 5,370,101 securities which is equal to 37.04% of the total securities on issue.

### Stock exchange listing

PERLS VIII are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPE. Details of trading activity are published in some daily newspapers.

### Range of Securities (PERLS VIII) as at 15 July 2019

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	13,166	88.92	4,271,200	29.46
1,001 – 5,000	1,443	9.74	3,046,293	21.01
5,001 – 10,000	122	0.82	905,144	6.24
10,001 – 100,000	72	0.49	1,987,221	13.70
100,001 and over	5	0.03	4,290,142	29.59
Total	14,808	100.00	14,500,000	100.00
Less than marketable parcel of \$500	4	0.03	11	0.00

### Voting rights

PERLS VIII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 214 and 215 for the Bank's ordinary shares.

## Shareholder information (continued)

### Top 20 holders of CommBank PERLS IX Capital Notes ("PERLS IX") as at 15 July 2019

Rank	Name of holder	Number of securities	%
1	BNP Paribas Noms Pty Ltd	2,589,716	15.79
2	HSBC Custody Nominees	1,413,464	8.63
3	Navigator Australia	203,372	1.24
4	Bond Street Custodians Limited	173,879	1.06
5	Dimbulu Pty Ltd	147,700	0.90
6	Mutual Trust Pty Ltd	124,678	0.76
7	Netwealth Investments Limited	113,297	0.69
8	Nulis Nominees (Australia)	103,288	0.63
9	J P Morgan Nominees Australia	100,576	0.61
10	Citicorp Nominees Pty Limited	95,806	0.58
11	Australian Executor Trustees Limited <IPS Super A/C>	94,382	0.58
12	Australian Executor Trustees	84,463	0.52
13	National Nominees Limited	83,936	0.51
14	Fibora Pty Ltd	59,590	0.36
15	Invia Custodian Pty Limited	54,551	0.33
16	Ernron Pty Ltd <ERNRON A/C>	34,530	0.21
17	Sir Moses Montefiore Jewish Home <INCOME A/C>	30,660	0.19
18	Pendant Realty Pty Ltd	30,000	0.18
19	Port Stephens Veterans and Aged Care Ltd	30,000	0.18
20	J C Family Investments Pty Limited <J HERRINGTON SUPER FUND A/C>	25,843	0.16

The top 20 PERLS IX security holders hold 5,593,731 securities which is equal to 34.11% of the total securities on issue.

### Stock exchange listing

PERLS IX are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPF. Details of trading activity are published in some daily newspapers.

### Range of Securities (PERLS IX) as at 15 July 2019

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	18,464	90.44	5,742,936	35.02
1,001 – 5,000	1,755	8.60	3,618,114	22.06
5,001 – 10,000	124	0.61	920,287	5.61
10,001 – 100,000	62	0.30	1,476,149	9.00
100,001 and over	10	0.05	4,642,514	28.31
Total	20,415	100.00	16,400,000	100.00
Less than marketable parcel of \$500	6	0.03	12	0.00

### Voting rights

PERLS IX do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 214 and 215 for the Bank's ordinary shares.



## Shareholder information (continued)

### Top 20 holders of CommBank PERLS X Capital Notes ("PERLS X") as at 15 July 2019

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	1,427,800	10.46
2	BNP Paribas Noms Pty Ltd	1,111,081	8.14
3	Netwealth Investments Limited	119,572	0.88
4	Navigator Australia	114,154	0.84
5	Citicorp Nominees Pty Limited	104,896	0.77
6	Bond Street Custodians Limited	101,114	0.74
7	Dimbulu Pty Ltd	100,000	0.73
8	Randazzo C & G Developments Pty Ltd	80,000	0.59
9	National Nominees Limited	77,946	0.57
10	Rakio Pty Ltd <PIEKARSKI GYMPIE A/C>	77,000	0.56
11	J P Morgan Nominees Australia	62,051	0.45
12	Eastcote Pty Ltd <VAN LIESHOUT FAMILY A/C>	50,000	0.37
13	Federation University Australia	50,000	0.37
14	Harriette & Co Pty Ltd <HARRIETTE INVESTMENT A/C>	50,000	0.37
15	Hanson Tsai Pty Ltd <HANSON A/C>	43,900	0.32
16	Mr Roni G Sikh	40,492	0.30
17	Mutual Trust Pty Ltd	40,228	0.29
18	Ainsley Heath Investments Pty Ltd	35,500	0.26
19	Invia Custodian Pty Limited <INCOME POOL A/C>	34,215	0.25
20	Australian Executor Trustees Limited <IPS SUPER A/C>	33,217	0.24

The top 20 PERLS X security holders hold 3,753,166 securities which is equal to 27.50% of the total securities on issue.

### Stock exchange listing

PERLS X are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPG. Details of trading activity are published in some daily newspapers.

### Range of Securities (PERLS X) as at 15 July 2019

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	14,000	88.58	4,720,603	34.58
1,001 – 5,000	1,607	10.17	3,508,304	25.70
5,001 – 10,000	121	0.77	931,659	6.83
10,001 – 100,000	72	0.46	2,061,634	15.10
100,001 and over	3	0.02	2,427,800	17.79
Total	15,803	100.00	13,650,000	100.00
Less than marketable parcel of \$500	3	0.02	9	0.00

### Voting rights

PERLS X do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 214 and 215 for the Bank's ordinary shares.

## Shareholder information (continued)

### Top 20 holders of CommBank PERLS XI Capital Notes ("PERLS XI") as at 15 July 2019

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	1,372,735	8.64
2	Netwealth Investments Limited	244,889	1.54
3	BNP Paribas Noms Pty Ltd	211,807	1.33
4	Australian Executor Trustees Limited <IPS SUPER A/C>	150,421	0.95
5	Bond Street Custodians Limited	150,160	0.94
6	Dimbulu Pty Ltd	150,000	0.94
7	J P Morgan Nominees Australia	133,620	0.84
8	National Nominees Limited	119,032	0.75
9	Navigator Australia	103,313	0.65
10	Eastcote Pty Limited	100,000	0.63
11	G Harvey Investments Pty Limited	100,000	0.63
12	Citicorp Nominees Pty Limited	86,389	0.54
13	V S Access Pty Ltd	80,000	0.50
14	Nulis Nominees (Australia)	79,018	0.50
15	Australian Executor Trustees	76,171	0.48
16	Edgelake Proprietary Limited <EDGE LAKE A/C>	49,267	0.31
17	Pamdale Investments Pty Ltd	46,860	0.29
18	J Santini Development Pty Ltd <J SANTINI DEVELOPMENT A/C>	46,000	0.29
19	V S Access Pty Ltd <V S ACCESS A/C>	42,718	0.27
20	Junax Capital Pty Ltd	40,000	0.25

The top 20 PERLS XI security holders hold 3,382,400 securities which is equal to 21.27% of the total securities on issue.

### Stock exchange listing

PERLS XI are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPH. Details of trading activity are published in some daily newspapers.

### Range of Securities (PERLS XI) as at 15 July 2019

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	17,225	88.31	6,018,262	37.85
1,001 – 5,000	2,029	10.40	4,286,713	26.96
5,001 – 10,000	167	0.86	1,231,903	7.75
10,001 – 100,000	75	0.38	1,994,930	12.55
100,001 and over	9	0.05	2,368,192	14.89
Total	19,505	100.00	15,900,000	100.00
Less than marketable parcel of \$500	7	0.04	10	0.00

### Voting rights

PERLS XI do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 214 and 215 for the Bank's ordinary shares.

## International representation

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# Corporate directory

## 132 221 General Enquiries

For your everyday banking including paying bills using BPAY® our automated service is available 24 hours a day, 7 days a week.

## 132 221 Lost, Stolen or Damaged Cards

To report a lost or stolen card 24 hours a day, 7 days a week. From overseas call +61 2 9999 3283. Operator assistance is available 24 hours a day, 7 days a week.

® Registered to BPAY Pty Ltd ABN 69 079 137 518

## 132 224 Home Loans and Investment Home Loans

To apply for a new home loan or investment home loan or to maintain an existing loan. Available from 8am to 8pm, 7 days a week.

## 131 431 Personal Loan Sales

To apply for a new personal loan. Available from 8am to 8pm, 7 days a week.

## 1800 805 605 Customer Relations

If you would like to pay us a compliment or are dissatisfied with any aspect of the service you have received.

## Internet Banking

You can apply for a home loan, credit card, personal loan, term deposit or a savings account on the internet by visiting our website at [www.commbank.com.au](http://www.commbank.com.au) available 24 hours a day, 7 days a week. Do your everyday banking on our internet banking service NetBank at [www.commbank.com.au/netbank](http://www.commbank.com.au/netbank) available 24 hours a day, 7 days a week.

To apply for access to NetBank, call 132 221.

Available 24 hours a day, 7 days a week.

Do your business banking on our Business Internet Banking Service CommBiz at [www.commbank.com.au/CommBiz](http://www.commbank.com.au/CommBiz) available 24 hours a day, 7 days a week.

To apply for access to CommBiz, call 132 339.

Available 24 hours a day, 7 days a week.

## Special Telephony Services

Customers who are hearing or speech impaired can contact us via the National Relay Service ([www.relayservice.com.au](http://www.relayservice.com.au)) available 24 hours a day, 7 days a week.

Telephone Typewriter (TTY) service users can be connected to any of our telephone numbers via 133 677.

Speak and Listen (speech-to-speech relay) users can also connect to any of our telephone numbers by calling 1300 555 727.

Internet relay users can be connected to our telephone numbers via National Relay Service.

## 131 519 CommSec (Commonwealth Securities)

For enquiries about CommSec products and services visit [www.commsec.com.au](http://www.commsec.com.au).

Available from 8am to 7pm (Sydney Time), Monday to Friday, for share trading and stock market enquiries, and 8am to 7pm 7 days a week for CommSec Cash Management. A 24 hour lost and stolen card line is available 24 hours, 7 days a week.

## 131 709 CommSec Margin Lending

Enables you to expand your portfolio by borrowing against your existing shares and managed funds. To find out more simply call 131 709 8am to 6pm (Sydney Time) Monday to Friday or visit [www.commsec.com.au](http://www.commsec.com.au).

## 1800 019 910 Corporate Financial Services

For a full range of financial solutions for medium-size and larger companies.

Available from 8am to 6pm (Sydney Time), Monday to Friday.

## 131 998 Local Business Banking

A dedicated team of Business Banking Specialists, supporting a network of branch business bankers, will help you with your financial needs.

Available 24 hours a day, 7 days a week or visit

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

## 1300 772 968 (1300 AGLINE) AgriLine

A dedicated team of Agribusiness Specialists will help you with your financial needs. With our Business Banking team living in regional and rural Australia, they understand the challenges you face. Available 24 hours a day, 7 days a week.

## Colonial First State

Existing investors can call 131 336 from 8am to 7pm (Sydney Time) Monday to Friday.

New investors without a financial adviser can call 1300 360 645. Financial advisers can call 131 836.

Alternatively, visit [www.colonialfirststate.com.au](http://www.colonialfirststate.com.au).

## 1300 362 081 Commonwealth Private

Commonwealth Private offers clients with significant financial resources a comprehensive range of services, advice and opportunities to meet their specific needs. For a confidential discussion about how Commonwealth Private can help you, call 1300 362 081 between 8am to 5:30pm (Sydney time), Monday to Friday or visit [www.commbank.com.au/commonwealthprivate](http://www.commbank.com.au/commonwealthprivate).

## 132 015 Commonwealth Financial Services

For enquiries on retirement and superannuation products, or managed investments. Available from 8.30am to 6pm (Sydney Time), Monday to Friday.

Unit prices are available 24 hours a day, 7 days a week.

## CommInsure

For all your general insurance needs call 132 423 8am to 8pm (Sydney Time), Monday to Friday and 8am to 5pm (Sydney Time) on Saturday.

For all your life insurance needs call 131 056 8am to 8pm (Sydney Time), Monday to Friday.

Alternatively, visit [www.comminsurance.com.au](http://www.comminsurance.com.au).

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## Contact us

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Facsimile: +61 2 9118 7192

### Company Secretary

Kara Nicholls  
Kristy Huxtable

### Shareholder Information

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

### Share Registrar

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Level 12  
680 George Street  
Sydney NSW 2000  
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Internet: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)  
Email: [cba@linkmarketservices.com.au](mailto:cba@linkmarketservices.com.au)

Telephone numbers for overseas shareholders  
New Zealand  
0800 442 845  
United Kingdom  
0845 640 6130  
Fiji  
008 002 054

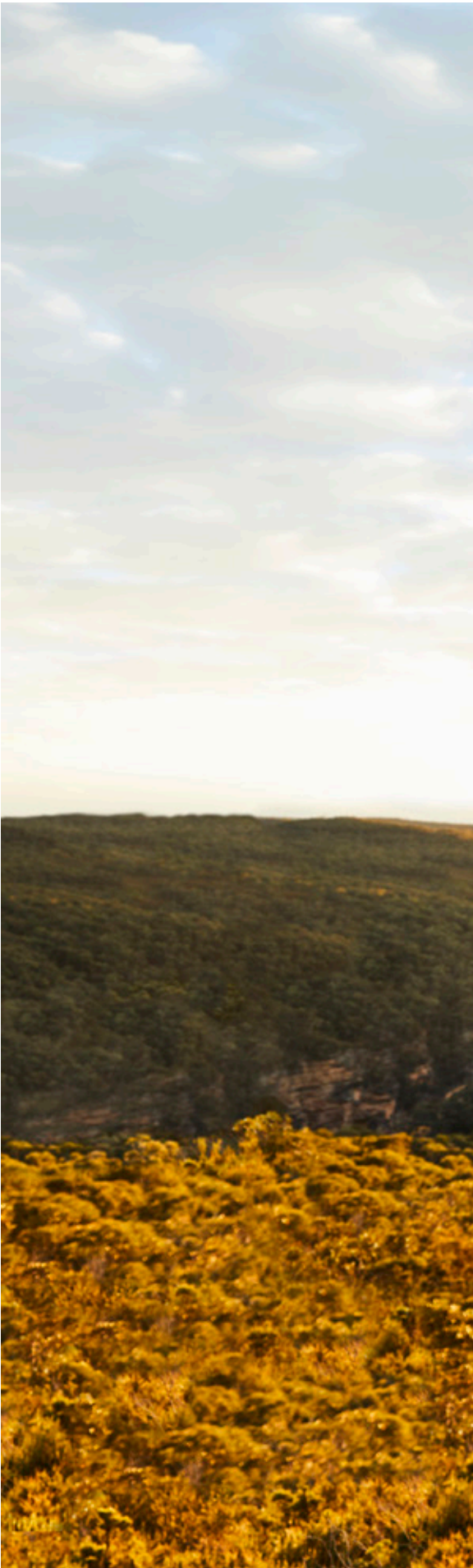
### Australian Securities Exchange Listing

CBA

### Annual Report

To request a copy of the Annual Report, please call Link Market Services Limited on +61 1800 022 440 or by email at [cba@linkmarketservices.com.au](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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