CommonwealthBank

We can. Together.

2020 Annual Report

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Delivering for our customers and communities

We have been focused on supporting our customers and communities, especially through this year's challenges.

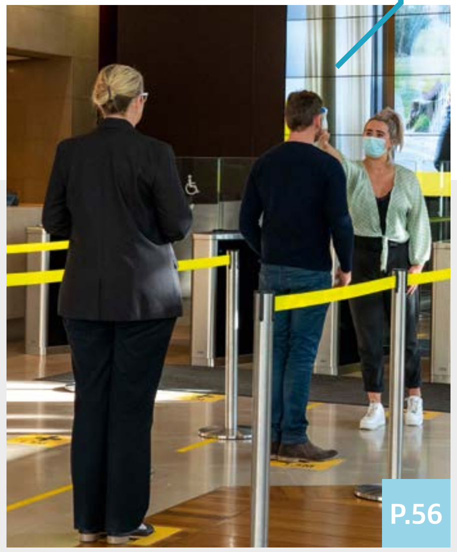
How we create value

Best in digital

We aim to provide the best digital banking experience by bringing together market-leading service, technology and innovation.

Responding to COVID-19 risks

We have taken action to ensure operational resilience and to address the risks associated with COVID-19.



2020

Service

Innovation

Strength

Building a more focused bank to deliver for our customers, underpinned by innovation and a strong balance sheet.

We can. Together.

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

The release of this announcement was authorised by Kara Nicholls, Group Company Secretary.
Commonwealth Bank of Australia I ACN 123 123 124 I Ground Floor Tower 1, 201 Sussex Street, Sydney NSW 2000 I 12 August 2020
161/2020

2020 highlights

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

Our purpose

To improve the financial wellbeing of our customers and communities.

Our values

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

Our business areas

Retail Banking Services
Business and Private Banking
Institutional Banking and Markets
New Zealand (ASB)

Our brands

Commonwealth Bank is the largest bank and best known financial services brand in Australia.

CommonwealthBank ASB bankwest CommSec

Financial highlights

Group

Statutory net profit after tax (NPAT)
$9,634m
▲ 12.4%

Cash NPAT
$7,296m
▼ 11.3%

Operating income
$23,758m
▲ 0.8%

Net interest margin
2.07%
▼ 2 basis points

Capital ratio
CET1 (APRA, Level 2)
11.6%
▲ 90 basis points

Deposit funding
74%
FY19 69%

Value created

	Customers	Community	Our people	Shareholders
Our targets	#1 Net Promoter Score (NPS) in consumer and business banking	Top quartile among peer companies for reputation improvement	Top 10% globally for our employee engagement score	Top quartile TSR outperformance relative to peers
Our progress	#1 mobile app and internet banking NPS #2 consumer NPS #3 business NPS	**RepTrak reputation score** 61.6 Average of peer companies: 67.1	**Employee engagement** 81% Global top 10% threshold: 84%	**Total shareholder return (TSR)** 151% 10-year 8% 5-year (11%) 1-year

Customers	Community	Our people	Shareholders
17m customers served	**$3bn** tax expense – one of Australia's largest taxpayers	**89%** of employees are proud to work at the Bank	**888,000+** shareholders, 78% Australian owned
$106bn of new lending for Australian home buyers	**377,214** students enrolled in Start Smart financial education	**$5.8bn** paid to our 41,778 people in salaries and superannuation	**$2.98** dividend per share, fully franked
$27bn of new lending for Australian businesses	**$10m** commitment to bushfire recovery grants	**39,000+** people and delivery partners enabled to work remotely during COVID-19	**$5.3bn** returned to shareholders as dividends
$650m+ in loans under the Government's Coronavirus SME Guarantee Scheme, >50% of scheme lending	**100%** of Australian electricity needs from renewable energy sources	**41%** women in Executive Manager and above roles	**$2,420** dividend amount received by the average retail shareholder

Financials are presented on a continuing operations basis, except statutory NPAT, dividend per share and Common Equity Tier 1 (CET1) which include discontinued operations. All figures relate to the full year ended 30 June 2020 and comparisons are to the year ended 30 June 2019, except employee engagement which is 30 April 2020 compared to 30 April 2019. For data sources, see *Glossary* on page 293.

CHAIRMAN'S MESSAGE

Strength in uncertain times

Our progress on key strategic, risk and governance priorities, together with the strength of our balance sheet and capital position, mean the Bank is well placed to deliver for our stakeholders.

Shortly after the Commonwealth Bank of Australia commenced operations in 1912, the world was gripped by the Spanish flu pandemic of 1918. Now, as then, the Bank's purpose is to support the financial wellbeing of our customers and the community, and to provide strength in uncertain times.

This past year has been extremely challenging for many of our customers, the economy and the Australian community at large – initially due to bushfires and drought, and more recently due to the coronavirus pandemic. We have therefore been determined to provide financial relief to households, keep working capital and credit flowing for businesses, deliver performance for our shareholders, and facilitate economic activity and financial stability more broadly.

Our people and the Bank's leadership team have done an extraordinary job and responded quickly and effectively to the demands of COVID-19 – by meeting customer needs and supporting the delivery of the Government's stimulus initiatives. This has included helping businesses access JobKeeper and being the largest lender to small and medium sized enterprises through the Government's coronavirus loan guarantee scheme.

A simpler, better bank

Throughout the year, the Bank's leadership team has continued to deliver on our strategic priorities, with a focus on becoming a simpler, better bank. We have made substantial progress on divesting and ceasing our wealth management businesses, which has allowed management to focus on the performance of our core banking businesses and on providing the best banking experiences for customers. It has also created capacity for ongoing investment in our market-leading digital assets and in innovation for future growth. We have continued to make significant improvements in the management of non-financial risk, including better operational risk and compliance practices, thereby supporting balanced and sustainable outcomes for all of our stakeholders.

Business performance and dividends

The business performed well in 2020, with the strong focus on operational excellence driving growth in our core banking businesses. Cash net profit after tax was, however, lower primarily due to the $1.5 billion impairment provision taken for the expected impacts of COVID-19 on our customers and the economy and consequent credit losses.

Prudent balance sheet management underpinned the Bank's resilient funding and liquidity positions. Strong capital discipline resulted in a Common Equity Tier 1 capital ratio of 11.6% at 30 June, well above the Australian Prudential Regulation Authority (APRA) 'unquestionably strong' benchmark of 10.5%, and substantially above the regulatory minimum of 8%.

The Bank's strong capital position and operational performance continues to support returns for shareholders. The final dividend of 98 cents per share reflects the guidance issued by APRA in July, that for the remainder of the calendar year, banks should retain at least half of their earnings. The final dividend payout ratio is 49.95% of the Bank's second half statutory earnings. Combined with the interim dividend of $2.00, this takes the full year dividend to $2.98 per share, fully franked.

Regulatory and compliance update

We have made significant progress on implementing the recommendations from the 2018 APRA Prudential Inquiry into CBA, and have now submitted more than three-quarters of the milestones outlined in our resulting Remedial Action Plan (RAP). The Prudential Inquiry Report, information on our RAP, and the independent reviewer's (Promontory) quarterly progress reports are available at: commbank.com.au/APRA.

We are also well advanced on implementing the recommendations of the Financial Services Royal Commission. We are engaging constructively and transparently on matters that are being considered by regulators as a result of the Royal Commission or otherwise under investigation. Meanwhile, we continue to focus on remediating processes and systems, and have delivered refunds of more than $730 million to customers since 2015. Our priorities have included significant ongoing investment in our financial crime prevention and detection capabilities.

OVERVIEW
HOW WE CREATE VALUE
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Culture, accountability and remuneration

Over the past two years, considerable attention has been given to cultural change within the organisation. The change has been values-led with strong leadership from the Board, the CEO and his renewed management team. There has been an acute focus on the skills and behaviours required of our people to deliver better stakeholder and risk outcomes. This includes our Code of Conduct, which incorporates our purpose, values and the 'Should We?' test, and guides our people on how they should act and make decisions to address customer and community expectations.

The changes we have made to incorporate risk considerations into our remuneration framework and assessment have delivered substantial improvements to both accountability and risk management maturity within the Bank. Unsatisfactory risk management outcomes and behaviours have negative remuneration consequences. Equally, to reinforce a positive risk culture, a significant proportion of senior leaders' short-term variable remuneration is tied to the successful delivery of our APRA RAP, and employees who rate 'exceptionally managed' for risk are formally recognised and rewarded.

We have continued to review the Bank's remuneration framework to ensure that it supports our strategic objectives of attracting and retaining exceptional talent, meets the spirit of anticipated regulatory change and is fit-for-purpose for the years ahead. For more details see the *Remuneration report* on page 78.

Sustainable business practice

We are committed to sustainable and responsible business practices, in accordance with the commitments outlined in our Environmental and Social Policy. We have continued to take the actions necessary to support the responsible transition to a net zero emissions economy by 2050, including ensuring that our business lending activities are aligned with this intent. This year, we reached our goal of sourcing 100% of our Australian electricity needs from renewable energy, and increased our lending to low carbon and renewable energy projects.

We also continued to support our customers and clients by providing products that incentivise emissions reduction and increase climate resilience. This year, our institutional bank has provided sustainability-linked loans that tie the borrower's cost of funding to the achievement of their emissions reduction targets, and our green mortgage initiative gave cashbacks to eligible customers with solar panels installed on their homes.

We have been embedding our human rights commitments in our operations and supply chain management, as well as in our lending and investing activities.

Board renewal

The program of Board renewal continues. Sir David Higgins retired on 31 December 2019, after more than five years of service and contribution to the Board. Wendy Stops has been an integral member of the Board since March 2015 and will retire at the conclusion of the 2020 Annual General Meeting on 13 October. In June, we announced that Simon Moutter will become a Non-Executive Director on 1 September 2020. Simon was previously Managing Director of Spark New Zealand Limited (New Zealand's largest telecommunications and digital services company) and has a background in science and engineering. He brings a deep understanding of technology, process effectiveness and business strategy to the Board.

Looking ahead

Although the year ahead will be marked by challenges and uncertainty, your Board and management team are very clear about the role the Bank must and will play in supporting our customers and the economy, while also maintaining a strong and resilient balance sheet and delivering operational performance for shareholders.

Thank you for your ongoing support.

C.B. Livingstone

Catherine Livingstone AO
Chairman

CEO'S MESSAGE

Delivering for our customers and communities

As the Bank for all Australians, we've taken decisive action to support customers, businesses, communities and the nation during one of the most challenging periods we've faced. By contributing to economic stability, we also advance the Bank's long-term success.

Serving our customers

We are dedicated to being there for our customers during some of the most significant events in their lives, and especially when we're needed most.

This year, in response to the coronavirus pandemic, our priority has been to do what we can to support our customers through the financial and business impacts of the crisis. We were able to act quickly because of the commitment of our people, our technology capabilities, and our strong financial position.

To provide immediate cash flow relief to households and businesses, we processed over 250,000 home, personal and business loan deferrals; and to get much-needed cash to businesses, we funded more than $650 million of new loans under the Government's Coronavirus SME Guarantee Scheme. Our digital channels managed 10.2 million peak daily logins, and we sent 130,000 debit cards to customers unfamiliar with digital banking to ensure they could make purchases and pay bills from home.

Contributing to our communities

Improving the financial wellbeing of communities is central to the Bank's purpose. This year we have been helping those impacted by bushfires and drought, as well as continuing to support local organisations, improve financial education and address financial abuse. To help communities rebuild after this year's devastating bushfires, we pledged $10 million in recovery grants, and also donated to and raised funds for the Australian Red Cross and Rural Aid.

For more than five years, we have been playing our part to address domestic and family violence and financial abuse. This has included equipping our frontline staff to help customers, providing direct financial assistance, and funding financial counsellors. Most recently, we funded the establishment of a Financial Independence Hub to help those impacted achieve long-term financial independence, no matter who they bank with.

Engaging our people

The improvements we've made in our management of non-financial risk have underpinned our ability to make high-quality decisions and implement them rapidly during the pandemic. This has enabled our people to go above and beyond to support customers and communities during challenging times.

Our people have been energised by our purpose and feel a strong sense of pride and confidence in the organisation. Employee engagement is up 13% this year and is now the highest it's been for more than four years.

Executing our strategy

Throughout the year, we have pursued our strategic priorities to simplify our business, lead in retail and business banking, and be the best in digital. By divesting and exiting our wealth management businesses we have been reducing complexity and risk in the Bank, and increasing our focus on driving performance in our core banking businesses.

Our retail bank extended its lead in home lending as our emphasis on operational excellence delivered consistent decisions and turnaround times for customers. Deposits continued to grow strongly, thanks to the strength of our branch network and digital assets. We have also been investing in more business bankers, and delivering faster, better service – including through our BizExpress facility, which provides business customers with same-day decisions on eligible business loans.

The current environment has accelerated the shift to digital banking and electronic payments. With the best digital assets in the market we are able to deliver richer and more personalised digital experiences and services. This includes our *Benefits finder* tool in the CommBank app which connects our customers to more than 230 government and third party benefits. Our customers clearly value the investments we've been making. We rank #1 for our internet banking and mobile app Net Promoter Score, and for the 11th consecutive year, we've been rated #1 for online banking by Canstar. Independent research firm Forrester has also rated the CommBank app as the overall digital experience leader among mobile banking apps in Australia for the fourth year in a row.

Delivering performance

Our financial results this year demonstrate the underlying strengths of our business, as well as the impacts of the coronavirus pandemic. Operating income increased 1%, due to strong operational performance, including above market growth in home lending and record growth in transaction deposits. This offset the impact of lower interest rates, COVID-19 related fee waivers, and reduced income from credit cards and international transactions due to lower consumer spending. Loan impairment expense increased significantly, due to the additional $1.5 billion provision taken for estimated future loan losses related to the pandemic. As a result, cash net profit after tax was 11% lower.

The strength of our balance sheet was a key highlight as it underpins our ability to serve our customers, drive core business outcomes and deliver returns for shareholders. We are now 74% deposit funded, up from 69% just last year and almost 20 percentage points higher since the global financial crisis. We also significantly increased our loan loss provisioning. We ended the year with a very strong capital position, putting us in the top quartile of international peer banks for capital. Our strong capital position, combined with our strong statutory profit, has allowed us to return $5.3 billion in dividends to shareholders this year.

Customers

Engaging with our customers to understand what is most important to them and helping them through challenging times.

For details see pages 30–31.

Community

Making a meaningful contribution to Australia and investing in the communities in which we operate.

For details see pages 32–33.

Strategy

Delivering a simpler, better bank that leads in retail and business banking – supported by the best digital experience for customers.

For details see pages 8–17.

Performance

Focusing on financial performance and balance sheet strength to drive core business outcomes and sustainable returns.

For details see pages 18–27.

Outlook

Our absolute priority is to help our customers and the broader economy recover. We will continue to work closely with our customers and undertake regular reviews and check-ins, to understand and support their needs.

While the duration and impact of the health crisis is unclear, Australia is relatively well positioned. We are starting from a position of fiscal and economic strength, and significant stimulus measures will continue to support the economy. There is a pipeline of infrastructure projects, and the outlook for mining and agriculture exports is strong.

We are, however, prepared for a range of economic scenarios. We've made provisions accordingly, and will monitor our lending portfolios closely as the situation evolves. We anticipate that lower credit growth and low interest rates will continue to put pressure on revenue, requiring increased focus on performance, efficiency and capital allocation.

Even in this challenging environment, operational performance in the business has remained strong. We will maintain our focus on retail, business and digital banking to further extend our franchise strength, and will innovate for future growth. We will also continue to work with our industry peers, the government and regulators to support initiatives that stimulate economic activity and jobs.

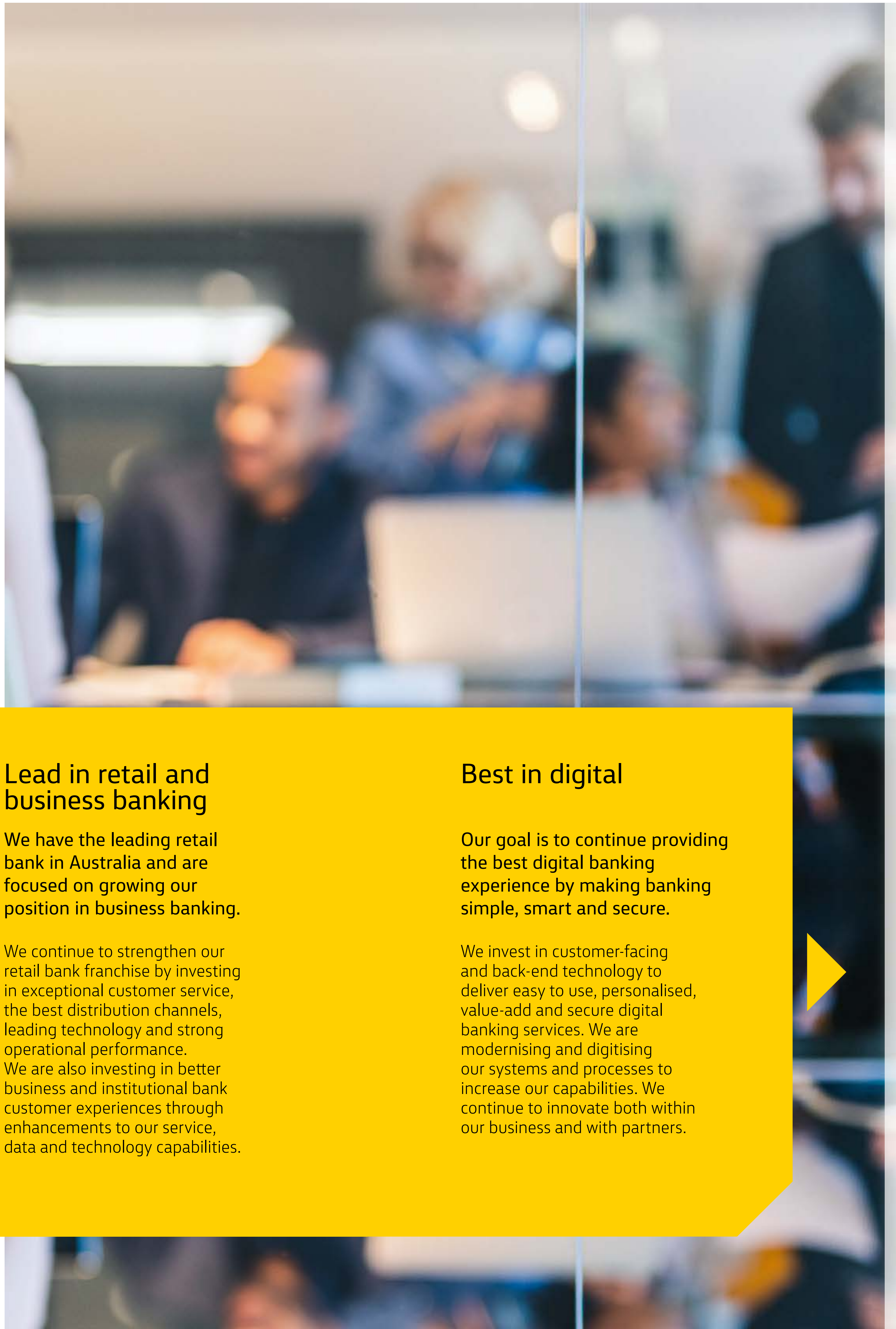
Throughout the year, and particularly in the last few months, our people have shown tremendous commitment to our customers, our strategic priorities, and to keeping the Bank running safely during a period of significant uncertainty. I thank them for their dedication, and am proud of what we have been able to do together to support our customers and the country at this time.

We remain focused on supporting our customers, driving operational excellence and delivering balanced outcomes. I am confident that given our digital leadership, balance sheet strength, and our people's care and commitment, we will continue delivering for our customers and communities, and for you, our shareholders.

Matt Comyn
CEO

Our strategic priorities

We are building on our strong foundations to drive performance and to position the Bank for long-term success.



Simplify our business

We are becoming a simpler bank by focusing on our core banking businesses and simplifying how we do business.

We have made substantial progress on divesting our wealth management businesses. This is reducing risk, cost and complexity, which together with the capital generated, supports reinvestment in our banking businesses and future returns. We have been simplifying our systems and processes to make it easier for customers and our people to get things done.

Lead in retail and business banking

We have the leading retail bank in Australia and are focused on growing our position in business banking.

We continue to strengthen our retail bank franchise by investing in exceptional customer service, the best distribution channels, leading technology and strong operational performance.
We are also investing in better business and institutional bank customer experiences through enhancements to our service, data and technology capabilities.

Best in digital

Our goal is to continue providing the best digital banking experience by making banking simple, smart and secure.

We invest in customer-facing and back-end technology to deliver easy to use, personalised, value-add and secure digital banking services. We are modernising and digitising our systems and processes to increase our capabilities. We continue to innovate both within our business and with partners.

Delivering balanced and sustainable outcomes

Achieving our strategic goals enables us to create value for our stakeholders.

Customers
Better outcomes

Community
Trusted and reputable

Our people
Energised, accountable

Shareholders
Long-term sustainable returns

OUR STRATEGIC PRIORITIES

Leading in retail banking

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

Support for retail customers during COVID-19

Our priority has been to provide safe, continuous and proactive essential banking services to our customers.

We have kept our branches open with physical distancing measures in place to protect customers and our people, and have surged resources into our customer contact centres to meet the increase in demand for help. We have also used our digital channels to send personalised messages to customers to alert them to the support available.

To help households manage their cash flows, we quickly added new functionality to enable customers to apply for home loan repayment deferrals online, dropped the rates on fixed rate home loans, and reduced repayments on principal and interest variable rate home loans to the minimum required. We also offered repayment deferrals on personal loans and a special term deposit rate for our deposit customers.

We will continue to focus on relieving financial stress and supporting customers as we work towards economic recovery.

800% increase in calls to our financial assistance line

154,000 home loans deferred at peak

#1 in home lending, household deposits and credit cards[1]

1,118 branches (Group total) – largest network in Australia

1,500+ home loan specialists

2,000+ customer contact centre staff – all located in Australia

1 See *Glossary* on page 293 for source information.

Our retail banking strengths

With over 10 million retail customers, including the largest share of youth and new migrant customers, we help more Australians manage their finances than any other bank.

Our retail bank holds leading market shares in home loans, household deposits and credit cards. We aim to strengthen this position by offering innovative products and services, backed by the best systems and processes.

We are committed to providing exceptional service. Our retail bank service promise is 'simple and easy everyday, brilliant when it matters'.

Our leading distribution network enables us to serve our customers across multiple channels, including the Bank's extensive network of branches, mobile banking specialists, ATMs, and Australia-based customer contact centres, as well as our online services and apps.

To deliver a seamless experience for customers across all channels, we continue to invest in our technology, data capabilities and digital assets.

We assess our performance using Net Promoter Score (NPS), which is a measure of our customers' willingness to recommend us to their family and friends. We have seen a seven point improvement in the last 12 months in consumer NPS, indicating that customers are valuing the support and service we are providing.

Helping first home buyers

Rayen Gouli and his wife Sabina Lama kept a close eye on the property market and had saved for years, but thought a 20% deposit to buy their first home in Melbourne was out of reach.

That changed when Rayen spoke with a home lending specialist at his local Commonwealth Bank branch who explained that the couple qualified for the First Home Loan Deposit Scheme.

The home lender helped them through the loan approval process, and shortly after, Rayen and Sabina launched their house hunt.

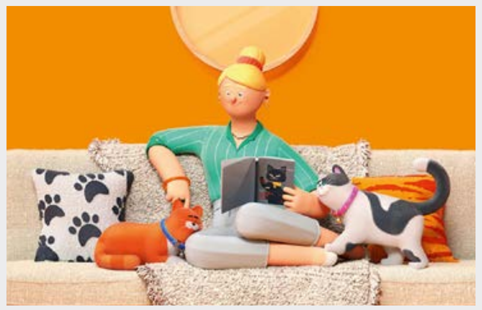
Today, the couple are enjoying being homeowners and having a place to call their own.

New home owners, Sabina Lama and Rayen Gouli.

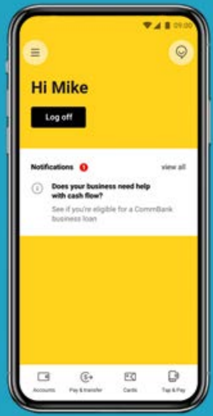
Bank less with Bankwest

Bankwest's mission is to do more for customers by asking them to do less. To deliver frictionless, customer-friendly banking, Bankwest provides a new signing service that allows customers to sign their home loan contracts digitally, from any device, in minutes – greatly reducing the time taken to prepare a home loan for settlement.

Bankwest has also continued to innovate for brokers and was voted 'Bank of the Year' in the Mortgage Professional Australia 2020 Brokers on Banks awards. The award recognises Bankwest's investment in digital tools and support. This includes a portal that enables brokers to track their clients' applications in real-time, and a dedicated single point of contact for brokers throughout the application process.



Support for business customers during COVID-19



We have been helping small business customers adapt to the current environment.

To help customers deal with the sudden shut down of the economy, we automatically enrolled eligible small business customers into our loan repayment deferral program. We also expanded our 24/7 support teams, adding further options and a dedicated helpline to help them access funds and pay their staff ahead of the Government's JobKeeper payments.

We funded more than $650 million in new lending under the Government's Coronavirus SME Guarantee Scheme, equivalent to over 50% of all fundings through the scheme.

Our teams also worked with small business customers to quickly move their business online. Using the Bank's digital capabilities, we helped customers build e-commerce enabled websites with the ability to take orders, process secure payments and arrange delivery.

86,000
business loans deferred at peak

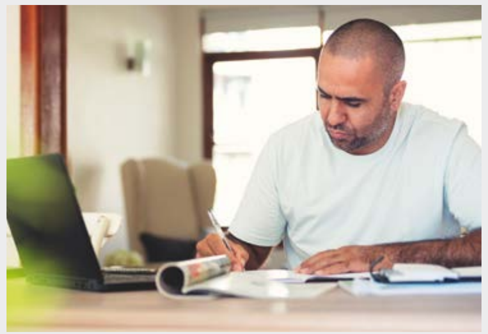
$27bn
of new lending for Australian businesses in FY20[1]

Incentive-based finance for sustainable outcomes

Our institutional bank and Wesfarmers recently signed a $400 million three-year bilateral sustainability-linked loan – the first in Australia to be linked to achieving better social outcomes and the largest to be offered by a single lender.

Wesfarmers will receive a margin discount on its loan if the company meets its ambitious social and environmental targets, linked to Indigenous employment and reduced carbon emissions intensity.

Sustainability-linked loans deliver widespread benefits by incentivising improved organisational behaviours that build a better Australia and lead to more sustainable outcomes.



Keeping businesses moving forward

Business owners need to act quickly when circumstances change or when opportunities arise. That's why we are using our leading digital capabilities to provide them with smarter everyday banking, faster access to funds, and more support when and where they need it.

Through our BizExpress facility we are providing existing customers with same-day lending decisions for unsecured loans up to $250,000 and secured loans up to $1 million.

By using existing customer information to automate and streamline the application process, BizExpress cuts the paperwork for customers and enables our teams to get funds into customers' accounts faster.

OUR STRATEGIC PRIORITIES

Strength in business banking

We are investing in service, data and technology to become Australia's leading business bank.

Backing Australian businesses

This year we have focused on supporting Australian businesses to facilitate the critical role they play in the economy.

Our business bank serves business, corporate and agribusiness customers. To build on the Bank's strengths as the leading payments provider and merchant acquirer in Australia, we have been adding dedicated business bankers and providing more tailored and responsive everyday banking, deposit and lending services. Improvements have also been made to end-to-end processes and technology to enhance customers' banking experiences.

Our institutional bank serves the commercial and wholesale banking needs of large corporate, institutional and government clients. To help clients navigate the rapidly changing business environment, the institutional bank has been using its expertise in capital structuring, financial markets and risk management. This increasingly includes advising clients on end-to-end financing and helping them access alternative domestic and international sources of capital. The institutional bank is also leveraging insights from the Bank's data and analytics capabilities to help clients stay on top of emerging trends in their industries and the economy.

#1
payments provider with largest merchant base[1]

2,500+
business bankers and specialists

240+
locations supporting business customers

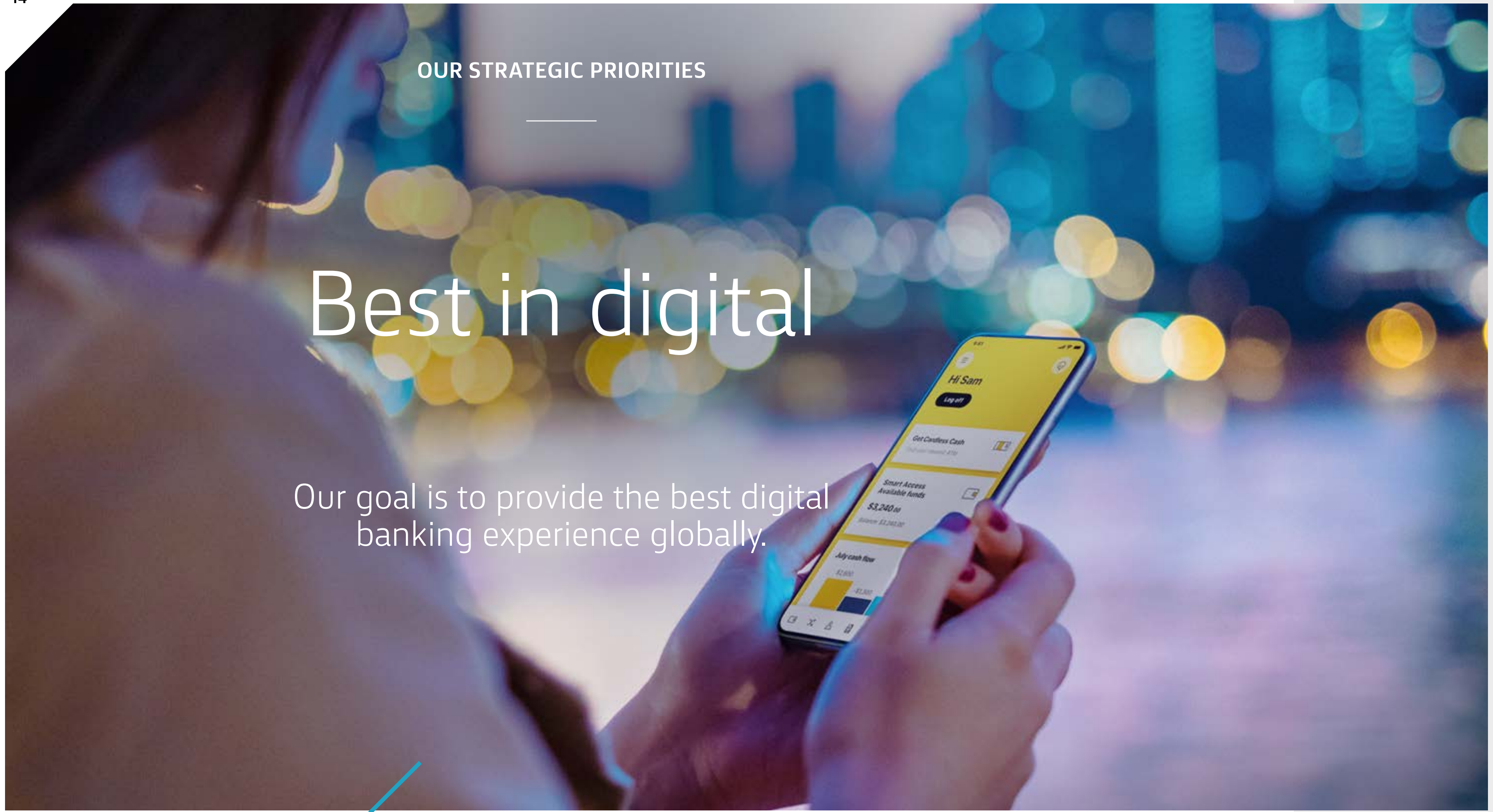
$650m+
in loans under the Government's Coronavirus SME Guarantee Scheme, >50% of scheme lending

1 See *Glossary* on page 293 for source information.

OUR STRATEGIC PRIORITIES

Best in digital

Our goal is to provide the best digital banking experience globally.



Australia's #1 banking app

Our award-winning CommBank app, used by 6.1 million active customers, now delivers personalised services and alerts to help customers better manage their money and make smarter financial decisions.

Smart features include transaction notifications, reminders for upcoming credit card payments, budgeting tools and a month-to-month spend tracker. We have also strengthened security and fraud detection to keep our customers safe and secure.

Bill prediction, the latest feature, uses data and machine learning to identify recurring bills and provide a timeline of upcoming payments.

The app also extends beyond banking to provide customers with integrated shopping and benefit features. This includes CommBank Rewards which matches customers with personalised offers and cashback rewards on everyday spending.

#1

- mobile app and internet banking NPS (Roy Morgan Research)
- online banking – 11 years in a row (Canstar)
- mobile banking – five years in a row (Canstar)
- banking app in Australia (Forrester)

66%

of CommBank transactions made digitally (by value)

See *Glossary* on page 293 for source information.

Delivering the best digital bank

We have built our leadership position in digital banking through decades of investment in digital infrastructure, assets and innovation.

We have prioritised the customer experience to deliver intuitive and user-friendly digital banking services.

We continue to invest in our Customer Engagement Engine which uses artificial intelligence, machine learning and insights from customer activity to drive highly relevant and personalised experiences.

We also continue to develop new features and functionality, and partner with other innovative companies, to add more value for customers.

Our mobile app and internet banking platform have consistently ranked number one for Net Promoter Score. We aim to maintain this position by anticipating customers' needs and expectations and by ensuring that their banking experience with us compares favourably to their best digital experience with any other product or service provider.

Extending our technology advantage

We are focusing on six key areas:

Deep personalisation

We are deploying artificial intelligence, machine learning and data insights to drive personalised and seamless service across all channels.

Integrated digital experiences

We are building new digital banking services, partnering with market leading providers and building x15ventures to deliver the best integrated digital bank experience.

Digitising end-to-end

We are automating and digitising processes to make things simpler, faster and more user-friendly for customers and our people.

Intelligent protection

We are using real-time intelligent analytics to detect suspicious activity, send real-time alerts and automatically block fraudulent transactions.

Modern, resilient platforms

We are leveraging platform-as-a-service to deliver resilient systems, cutting applications and moving 95% of computing to the public cloud.

Globally leading capability

We are partnering with global technology leaders and talent to support 24/7 operations, and providing remote working capabilities for a distributed workforce.

x15ventures

We launched x15ventures to build a portfolio of new digital businesses by combining the agility of a start-up with the support and reach of the Bank, to better serve our retail and business customers.

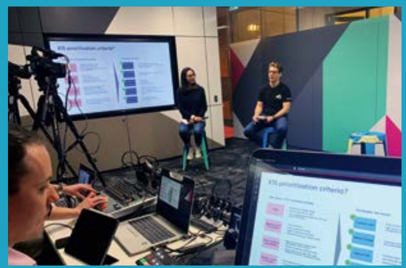
x15ventures has launched four ventures already: Home-in (e-conveyancing), Vonto (data insights for businesses), Credit Savvy (credit-score and marketplace), and Backr (start-a-business platform).

In July, x15ventures hosted Xccelerate 2020, a virtual pitch event for start-ups to battle it out in front of industry experts to receive mentoring and funding. The inaugural event is part of our commitment to partner with the fintech community, and to launch 25+ ventures over the next five years.

This year's winner is givvable, led by Frances Atkins and Naomi Vowels. Their platform helps companies find and source sustainable suppliers.

25+ new ventures in five years

- 4 in market
- 12 in development



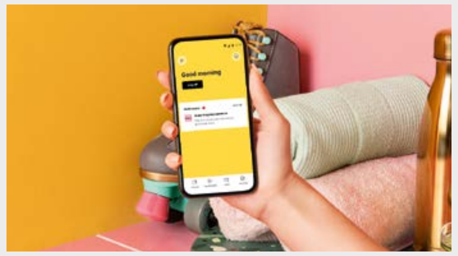
Sophie Gilder and Simon Gireau from x15ventures at the inaugural Xccelerate event.

Klarna.

We have partnered with Klarna to offer a shop now, pay later experience that is used by over 85 million shoppers worldwide.

Through the Klarna app, customers can shop at almost any online store and pay with instalments using their linked CommBank debit or credit card.

Customers can create a Klarna account through the CommBank app, and once a purchase is made can track orders and upcoming payments via the app. Klarna also provides special offers and sends price drop notifications on wish list items.



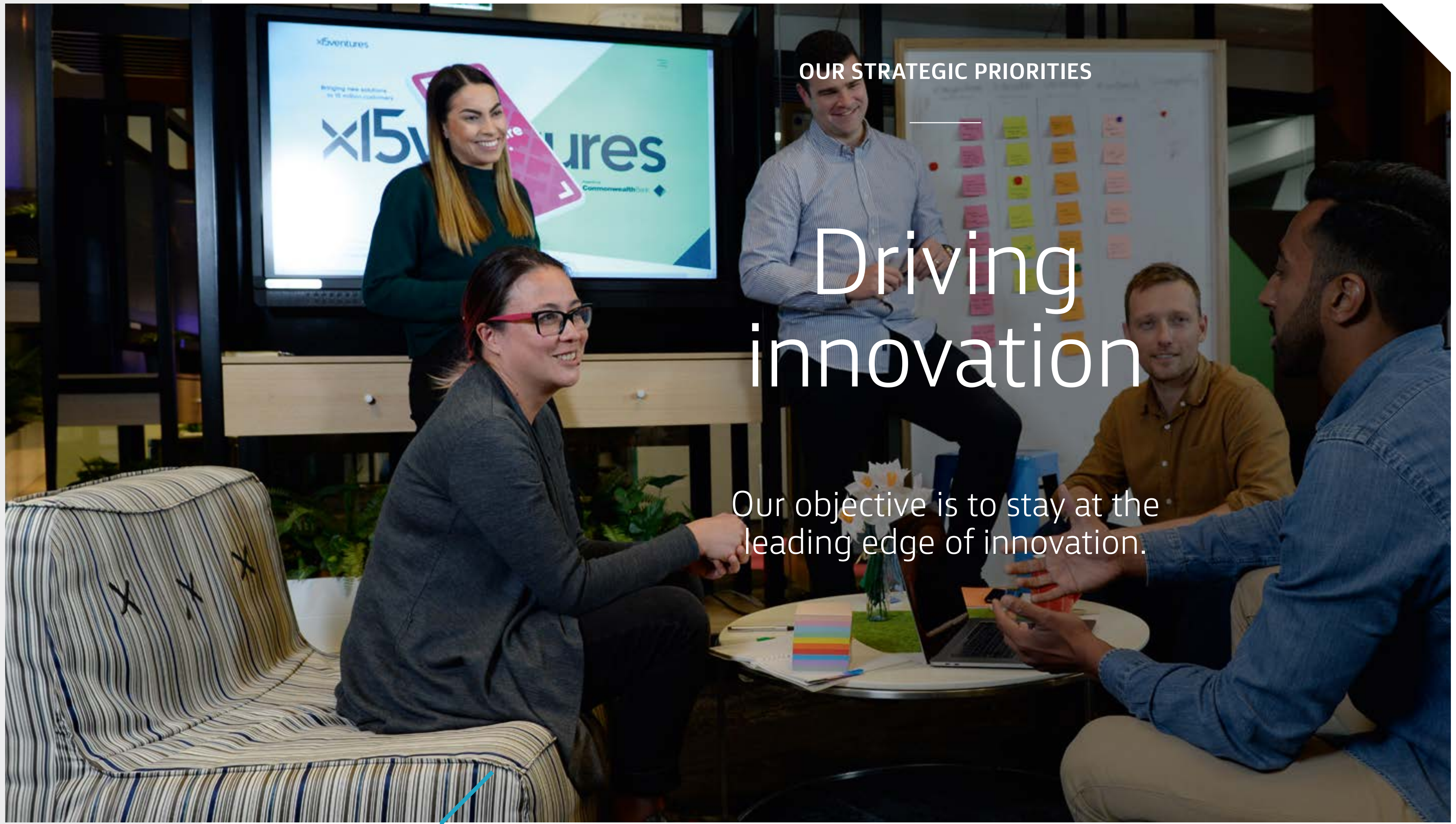
backr

Backr is a go-to portal for aspiring entrepreneurs and micro-businesses looking to set up shop.

The small business-in-a-box service simplifies the process of setting up a business, giving step-by-step instructions and in-app tools to support business registration, business plan formulation, invoice creation and more.

Developed through x15ventures, Backr's official launch has been brought forward to September 2020 to help the next generation of small businesses contribute to Australia's economic recovery.

- Hire contractors
- Create website
- Register for an ABN



OUR STRATEGIC PRIORITIES

Driving innovation

Our objective is to stay at the leading edge of innovation.

Innovating for growth

We invest in innovation to offer compelling customer experiences, to stand out amid increasing competition and to position the business for future growth. We innovate within our business and with strategic partners to improve our customer-facing applications as well as our back-end processes and systems.

Reimagining banking

Our innovation is structured around our core businesses – everyday banking, home buying and business banking – to enhance the services we offer today and to anticipate and lead how our customers will bank tomorrow.

We continue to simplify the home buying experience and are working with Home-in to provide customers with an end-to-end digital home buying assistant. Through Credit Savvy, our customers can track their credit score and compare products. We are helping small business customers access and interpret their data through Vonto so they can optimise and grow their business. We also launched CommSec Pocket to provide new ways to invest.

Reengineering processes

By taking a new approach to existing processes and information, we aim to deliver simpler ways of working and improved efficiency and performance for our customers and our own business.

We have invested in PEXA which digitises home loan settlement. By building direct interfaces between our systems and the PEXA settlement hub, we have achieved greater settlement certainty for our customers and significant productivity benefits for our people. As a result, four out of five Commonwealth Bank and Bankwest home loans are now digitally settled through PEXA.

Growing strategic partnerships

To drive step change innovation we partner with start-ups, fintechs, scientists, research institutes and large market-leading companies. This allows us to strategically pool talent, resources and expertise.

By collaborating with organisations such as the CSIRO's Data61 and Harvard STAR Lab we have used multi-disciplinary thinking to develop solutions that improve our customers' financial wellbeing. We have established our own vehicle for innovation, x15ventures, in partnership with Microsoft and KPMG. We have also partnered with SquarePeg and Zetta to help identify and launch future digital solutions for our customers.

FOCUS ON FINANCIAL PERFORMANCE

Financial performance overview

Our financial results for the 2020 financial year reflect the impact of COVID-19 on our customers and the economy, however, our business performance remained strong.[1]

Net profit after tax

$9,634m
Statutory NPAT[2]
▲ 12.4% on FY19

$7,296m
Cash NPAT
▼ 11.3% on FY19

NPAT was supported by strong business performance but impacted by higher loan impairment expense due to COVID-19. Statutory NPAT increased due to gains on sale from divestments.

Loan impairment expense, provisions

$2,518m
▲ $1,317m on FY19

1.70%
Provision coverage ratio

The loan loss rate increased to 33 basis points[3] (bpts), inclusive of the COVID-19 provision. Peer leading total provision coverage ratio of 1.70%, up from 1.29% in FY19[4].

Volume growth in core business

Business lending[5]
+$7.0bn +5.1%

Home lending[5]
+$18.4bn 1.3x system

Household deposits[6]
+$25.0bn +9.8%

Net interest margin

2.07%
▼ 2bpts on FY19

Group NIM declined due to the impact of lower interest rates, partly offset by lower short term funding costs.

Common Equity Tier 1 capital ratio

11.6%
APRA (Level 2)[2]
▲ 90bpts on FY19

Above APRA's 'unquestionably strong' benchmark of 10.5%. CET1 capital ratio of 17.4% on an internationally comparable basis.

Dividend

$2.98
Per share, fully franked[2]
▼ 31% on FY19

The final dividend was 98 cents per share, fully franked. The interim dividend was $2.00 per share, fully franked.

1 Unless otherwise stated, all information in this section is presented on a continuing operations basis.
2 Includes discontinued operations.
3 Cash loan impairment expense as a percentage of average gross loans and acceptances.
4 Total provisions as a percentage of credit risk weighted assets.
5 As reported in RBA Lending and Credit Aggregates (Home lending and Business lending). RBA collection data was aligned to the new regulatory definitions set by APRA from July 2019, therefore the home lending system multiple has been calculated for the 11 months to June 2020 annualised. Business lending includes Business and Private Banking, Bankwest and Institutional Banking and Markets (ex. CMPF) and growth is calculated for 12 months.
6 As reported in APRA Monthly ADI Statistics (MADIS) (Household deposits).

Group financial performance

Our banking businesses continued to perform well, with strong operational execution delivering above market growth in domestic home lending and deposits. This volume growth supported operating income and helped to offset the impact of historically low interest rates on our net interest margin.

Group profit – Impacted by COVID-19

Cash NPAT
$7,296m
FY19 $8,221m

Statutory NPAT including discontinued operations
$9,634m
FY19 $8,571m

Cash NPAT was 11% lower, largely due to higher COVID-19 related loan impairment expense. Operating income was up 1%, operating expenses increased by 1% and loan impairment expense increased by 110%.

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

Statutory NPAT includes non-cash items. In FY20, this included significant gains realised on the sale of businesses divested as part of our strategy to become a simpler, better bank, divestment-related transaction costs, and costs associated with the cessation of our aligned advice businesses. It also included hedging gains, mostly driven by the foreign exchange volatility observed during the year.

For more details and a reconciliation between statutory and cash NPAT, refer to page 73 in the *Directors' report*.

Operating income – Volume growth offset margin decline

Operating income
Cash basis
$23,758m
FY19 $23,577m

Net interest margin
2.07%
FY19 2.09%

Net interest income increased 2%. This was driven by above market growth in domestic home lending and household deposits, partly offset by a decrease in net interest margin due to the impact of lower interest rates.

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

NIM was 2 basis points lower due to the impact of lower interest rates on deposit margins, partly offset by lower short-term funding costs.

Other operating income decreased 4%. The key drivers were:

- The removal of certain fees and charges plus fee waivers in response to the impact of COVID-19 on our customers.
- Lower commissions from lower credit card and international transaction volumes, from a decline in spend due to COVID-19.
- Impairment losses on our aircraft lease portfolio due to the impact of COVID-19 on the aviation industry.
- Lower volumes of initial advice fees, the removal of ongoing service fees and grandfathered trail commissions, and the wind down of our aligned advice businesses.
- Higher insurance claims related to bushfires.

For more details on operating income refer to Note 2.1, 2.2 and 2.3 on pages 119 to 127 in the *Financial report*.

	FY20	FY19	% change
Net interest income	**18,610**	18,224	▲ 2%
Other banking income	**4,837**	4,951	▼ 2%
Funds management income	**172**	255	▼ 33%
Insurance income	**139**	147	▼ 5%
Total operating income – cash basis	**23,758**	23,577	▲ 1%

Operating expenses – Impacted by increased staff and IT costs

Operating expenses
Cash basis
$10,895m
FY19 $10,824m

Full-time equivalent staff
41,778
FY19 41,458

Cost-to-income ratio
Cash basis
45.9%
FY19 45.9%

Excluding notable items, operating expenses were 3% higher:

Staff expenses increased 2% as a result of wage inflation, higher annual leave costs due to lower annual leave usage, and an increase in full-time equivalent staff. The staff increases were due to higher levels of resourcing in call centres, operations and financial assistance; as well as in areas related to remediation and risk and compliance.

Occupancy and equipment expenses decreased 1% due to continued branch network optimisation and lower development costs for corporate offices, offset by higher cleaning and maintenance costs due to COVID-19.

Information technology expenses increased 7% due to higher IT infrastructure costs and higher investment spend on risk and compliance.

Other expenses increased 2% primarily due to costs associated with our domestic violence programs and bushfire recovery grants.

Including notable items, operating expenses were 1% higher.

Notable items included provisions for remediation and risk and compliance costs.

	FY20	FY19	% change
Staff costs	5,525	5,408	▲ 2%
Occupancy and equipment	1,060	1,070	▼ 1%
Information technology	1,896	1,770	▲ 7%
Other expenses	1,561	1,528	▲ 2%
Operating expenses excluding notable items – cash basis	10,042	9,776	▲ 3%
Notable items	853	1,048	▼ 19%
Total operating expenses – cash basis	10,895	10,824	▲ 1%

For more details on operating expenses refer to Note 2.4 on pages 128 to 129 in the *Financial report*.

Tax expense

Tax expense
Cash basis
$3,052m
FY19 $3,321m

Income tax expense for the year decreased 8% mainly due to lower profits. The effective tax rate for the year was 29.5%. This is below the Australian company tax rate of 30% primarily as a result of profits earned by the offshore banking unit and in offshore jurisdictions that have lower corporate tax rates.

For more details on tax expense refer to Note 2.5 on pages 130–132 in the *Financial report*.

Tax Transparency Code

CBA is one of Australia's largest tax payers. Our Tax Transparency Code provides further information on our approach to tax risk management and additional tax disclosures – see commbank.com.au/policies.

Provisions and credit quality

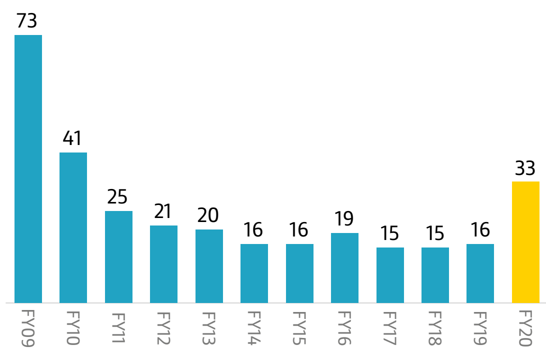
Loan impairment expense – Higher due to the expected impact of COVID-19

Loan impairment expense
$2,518m
FY19 $1,201m

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

Loan impairment expense increased as a result of forward looking adjustments made to provisions for the expected impact of COVID-19. The loan loss rate increased to 33 basis points, up from 16 basis points in FY19.

Loan loss rate (bpts)[1]



1 FY09 includes Bankwest on a pro forma basis.

Portfolio credit quality – Monitoring closely for signs of stress

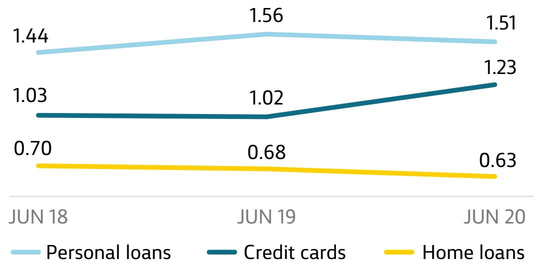
Consumer arrears

Consumer arrears show the proportion of our consumer portfolio where customers have fallen behind on their contractual loan repayments.

Arrears on home loans and personal loans remained low. In line with APRA's regulatory approach, loans deferred as part of our COVID-19 support packages are not included in arrears where the loans were otherwise performing.

Credit card arrears were higher, driven by lower card balances and increased hardship due to the impact of COVID-19.

Consumer arrears >90 days (%)

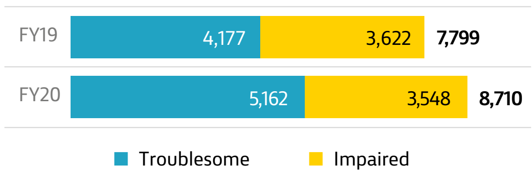


Troublesome and impaired assets

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

The increase in troublesome and impaired assets to $8,710 million from $7,799 million in FY19 was mainly due to the impact of COVID-19 on corporate customers in transport and storage, manufacturing, culture and recreation, business services, and retail and wholesale trade, as well as continued weakness in sectors impacted by discretionary spending. There was also a small number of individual corporate impairments.

Troublesome and impaired assets ($m)



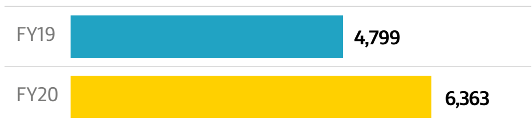
Loan impairment provisions

During the financial year, we took an additional credit provision of $1.5bn for the potential impacts of COVID-19 on our lending portfolios. This took into account the stress to the economy introduced by COVID-19 and the mitigating impacts of Government and industry assistance packages and support, such as loan repayment deferral arrangements.

Our coverage ratio – which is the ratio of total provisions to credit risk weighted assets – has increased to 1.70% from 1.29% in FY19.

We continue to monitor our lending portfolios closely and reassess our provisioning levels as the situation around COVID-19 evolves.

Total impairment provisions ($m)



For more details on loan impairment provisions, loan impairment expense and credit quality refer to Note 3.2 on pages 143–153 and Note 9.2 on pages 208–227 in the *Financial report*.

Balance sheet strength

Balance sheet strength is critical to our ability to serve our customers, drive core business outcomes and deliver strong and sustainable returns for our shareholders. Our key capital, liquidity and funding metrics strengthened further during FY20. The strength of our balance sheet means the Bank has been well-positioned to support customers and the Australian economy through challenging and uncertain times.

Capital – Unquestionably strong

Common Equity Tier 1 capital ratio

11.6%

APRA (Level 2)[1]

FY19 10.7%

The Group has a strong capital position with a Common Equity Tier 1 (CET1) capital ratio as at 30 June 2020 of 11.6%, above APRA's 'unquestionably strong' benchmark of 10.5%, notwithstanding the payment of the interim dividend and the adverse impact of the additional $1.5 billion provision for the expected impact of COVID-19.

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

- Risk-adjusted profits generated in the ordinary course of business (organic capital) as business fundamentals remained strong.
- The benefits from proceeds received in relation to the sales of Colonial First State Global Asset Management and PT Commonwealth Life and the phased divestment of CommInsure Life.

Additional outstanding divestments are expected to provide further capital uplifts in FY21.

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

The Bank's dividend policy seeks to:

- pay cash dividends at strong and sustainable levels
- target a full-year payout ratio of 70–80%
- maximise the benefits to shareholders by paying fully franked dividends.

Funding and liquidity – Continued to strengthen

Deposit funding ratio

74%

FY19 69%

Liquidity coverage ratio

155%

FY19 132%

Net stable funding ratio

120%

FY19 112%

The **deposit funding ratio** represents the proportion of home loans and other income-producing assets that are funded by customer deposits. Customer deposits are considered the most stable source of funding. The strength of our banking business has allowed us to maintain the highest share of stable, household deposits in Australia. Ensuring we are well funded has been critical to our ability to support our customers during COVID-19.

The Group continued to satisfy a significant portion of its funding requirements from customer deposits, accounting for 74% of total funding. This was due to the growth in customers' transaction and savings account balances and mortgage offset accounts.

The **liquidity coverage ratio** (LCR) represents the level of high quality liquid assets available to meet short-term obligations in a liquidity stress scenario.

The Group's average LCR for the quarter ended 30 June 2020 was 155% which was significantly above the minimum regulatory requirement of 100%. The increase in LCR during the year was driven by strong deposit growth and the Term Funding Facility introduced by the Reserve Bank of Australia to stimulate business lending as part of the COVID-19 economic support package.

The **net stable funding ratio** (NSFR) shows to what extent our long-term assets are covered by stable sources of funding.

The Group's NSFR as at 30 June 2020 was 120%, well above the regulatory minimum of 100%. The increase in the ratio was due to the growth in customer deposits, the benefit of the Term Funding Facility, and our strong capital position.

1 Common Equity Tier 1 capital ratio including discontinued operations.

Delivering for shareholders

Our aim is to deliver sector leading returns and a sustainable dividend. We achieve this by focusing on both operating performance and capital generation. We understand the importance of delivering shareholder returns at strong and sustainable levels, and that many Australians rely on the income they receive from dividends.

888,000+

shareholders hold CBA shares directly, millions more hold CBA shares through their superannuation

78%

Australian ownership

52%

direct ownership by retail shareholders

$5.3bn

returned to shareholders as dividends in FY20

$2,420

dividend amount received by the average retail shareholder

Sustaining performance

The quality of the Bank's franchise, including our customer, distribution and technology strengths, has supported strong and consistent operating performance over time. The strength of our deposits franchise means that we have reliable access to lower cost funding. We also manage our balance sheet prudently to mitigate earnings volatility, and focus on risk-adjusted returns to efficiently allocate capital across our businesses.

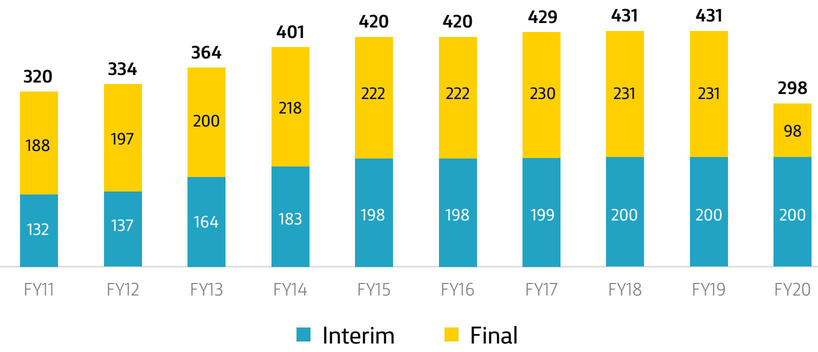
As the outlook for the economy is uncertain we remain focused on managing the business, our credit decisioning and our balance sheet carefully, to ensure that we remain well-positioned to continue supporting customers and performing for shareholders.

Dividends

The final dividend of 98 cents per share reflects APRA's July 2020 guidance, which applies until the end of the calendar year, that banks should retain at least 50% of earnings. The final dividend payout ratio was 49.95% of the Bank's statutory earnings for the second half of this financial year.

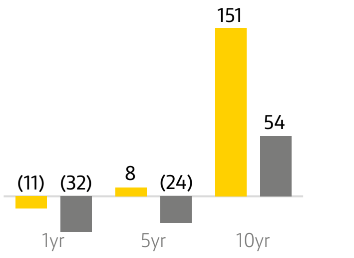
Including the interim dividend of $2.00 per share, the full year dividend was $2.98 per share, fully franked. The Dividend Reinvestment Plan continues to be offered to shareholders. No discount will be applied to shares allocated under the plan for the final dividend.

Dividend per share (cents)



Total shareholder return

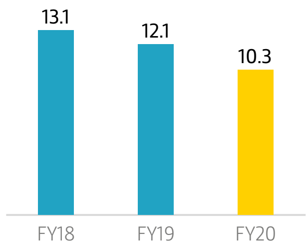
(%)



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

Return on equity

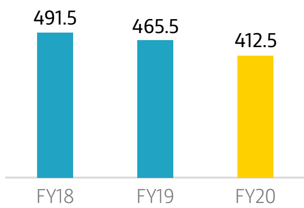
Cash, continuing operations (%)



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

Earnings per share

Cash, continuing operations (cents)



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

Business unit performance

Retail Banking Services

Cash NPAT

$3,997m

FY19 $3,907m

Contribution to Group profit

55%

Net interest margin

2.63%

FY19 2.55%

Brands

CommonwealthBank

bankwest

Aussie

Retail Banking Services (RBS) provides simple, convenient and affordable banking and general insurance products and services to personal customers, helping them manage their everyday banking needs, buy a home, protect their assets or invest for the future. RBS includes the retail banking businesses under the Commonwealth Bank and Bankwest brands, general insurance, mortgage broking and Commonwealth Financial Planning.

Financial performance

Cash net profit after tax was $3,997 million, an increase of $90 million or 2% on 2019. The result was driven by higher home lending volumes and lower short term funding costs. Income from credit cards and international transactions declined as spend volumes were lower due to COVID-19. Costs increased, largely due to higher staff and IT expenses as resources were boosted to meet customer needs during the coronavirus pandemic. RBS' result was also impacted by significantly higher loan impairment expense which reflects the expected increase in home loan, personal loan and credit card bad debts due to the expected impacts of COVID-19 on our customers.

Operating performance

We continued to focus on driving operational excellence in our home lending business. Our ability to deliver quick and consistent decisions for our customers allowed us to grow above market, despite competitive pricing from other lenders and low levels of housing turnover. We provided $106 billion of new home loans during the year, including to over 3,200 first home buyers who bought a home through the Government's First Home Loan Deposit Scheme.

Our strong franchise combined with our investment in digital banking helped to drive above market growth in deposits. With interest rates at historic lows, more customers chose to keep their money in at-call accounts. Customers opened more than 1 million new personal transaction accounts with us during the year. Personal loan and credit card activity was lower as customers chose to reduce debt and spend less during the coronavirus-related shutdown.

More customers than ever chose to use our digital channels and phone banking services. During the second half of the financial year we saw a peak of 10.2 million daily logins to our CommBank app and NetBank due to COVID-19, and an 800% increase in calls to our financial assistance line. Our technology capabilities also enabled us to quickly develop online home loan repayment deferral application functionality for customers.

Business and Private Banking

Cash NPAT

$2,654m

FY19 $2,931m

Contribution to Group profit

36%

Net interest margin

3.10%

FY19 3.10%

Brands

CommonwealthBank

CommSec

Commonwealth Private

Business and Private Banking (BPB) 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. BPB also provides Australia's leading equities trading and margin lending services through CommSec. BPB includes the financial results of business banking activities conducted under the Bankwest brand.

Financial performance

Cash net profit after tax was $2,654 million, a decrease of $277 million or 9% on 2019. Income from volume growth in deposits was offset by the impact of lower interest rates on deposit margins. Other banking income increased due to higher trading volumes through CommSec, partly offset by lower merchant income due to fee waivers during the coronavirus pandemic and the introduction of fee-free business transaction accounts. The cost of new dedicated business bankers and our investments to improve the customer experience and technology was offset by lower remediation costs. Loan impairment expense was significantly higher, as additional provisions were taken to provide for the potential impact of COVID-19 on certain business sectors and the economy.

Operating performance

Business momentum continued to grow this year as we simplified how we do things, improved our customers' banking experience and tailored our solutions to better meet their needs.

Delivering on our commitment to do better for small businesses, we added 100 new dedicated business bankers and Business Banking Managers in key branches. We also expanded the capabilities of our 24/7 Australia-based contact centres and worked to improve the end-to-end customer experience through investment in technology, digital assets and analytics.

Our new Digital Handover Tool has simplified our lending processes, enabling our teams to work more efficiently. Our ability to make high quality decisions at speed allowed us to increase lending to business customers. We also improved and extended our same-day lending facility, BizExpress, to get funds to customers faster.

Our ability to make credit decisions quickly also helped us to support business customers impacted by the coronavirus pandemic. We funded over 7,300 loans, totalling more than $650 million in new funding under the Government's Coronavirus SME Guarantee Scheme. Using our technology capabilities, we were also able to automatically enrol all eligible small business customers into our loan repayment deferral program.

Institutional Banking and Markets

Cash NPAT

$655m

FY19 $1,117m

Contribution to Group profit

9%

Net interest margin

1.00%

FY19 1.11%

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

Financial performance

Cash net profit after tax was $655 million, a decrease of $462 million or 41% on 2019. Income from growth in deposit volumes was offset by lower margins due to the lower interest rate environment. Other banking income was lower as the impact of COVID-19 on travel volumes led to the impairment of certain aircraft assets owned by the Group and leased to clients. Costs were higher due to investment in systems infrastructure and risk and compliance. Profit was also impacted by significantly higher loan impairment expense related to expected loan losses in industry sectors most at risk from COVID-19.

Operating performance

The institutional lending market remained highly competitive and recent monetary and fiscal stimulus by central governments around the world increased the amount of liquidity in the market. Investment in uplifting our capital markets capabilities has allowed IB&M to meet client needs through a combination of traditional lending products and capital-light structuring and distribution activities.

To help clients manage through the impacts of COVID-19, IB&M has offered a variety of support such as facility increases and extensions, covenant waivers and new funding. Deposit inflows have been significantly higher as clients have been managing their liquidity needs. Volatility in financial markets has presented additional risks and opportunities for Global Markets' sales and trading businesses. The fourth quarter trading result was especially strong on the back of tighter credit spreads, increased volatility, market dislocations and a large increase in new bond issuance.

IB&M continued to build its capabilities to offer insights and customer solutions based on real-time data analytics that reveal trends shaping industries. Using the Bank's Household Spending Intentions research, IB&M kept clients up-to-date on changes to income and spending through the pandemic.

International Financial Services

Cash NPAT

$131m

FY19 $250m

Contribution to Group profit

2%

International Financial Services (IFS) includes the Group's Indonesian retail and business banking operations (PT Bank Commonwealth), and minority investments in China (Bank of Hangzhou and Qilu Bank) and Vietnam (Vietnam International Bank).

During the year, we completed the sale of PT Commonwealth Life, the Indonesian life insurance businesses. The sale of the Group's equity stake in BoCommLife, the Chinese life insurance business, remains subject to regulatory approval. Both are included in discontinued operations.

Financial performance

Cash net profit after tax from continuing operations was $131 million, a decrease of $119 million or 48% on 2019. The result was driven by lower other banking income reflecting lower net profits from Chinese minority investments and higher loan impairment expense reflecting the deterioration in the economic outlook mainly due to COVID-19.

New Zealand

Cash NPAT

$811m

FY19 $1,059m

Contribution to Group profit

11%

Net interest margin[1]

2.11%

FY19 2.23%

Brands

ASB

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

Financial performance

Cash net profit after tax was $811 million, a decrease of $248 million or 23% on 2019. Income from growth in lending and deposit volumes was offset by lower margins due to the low interest rate environment. Other banking income declined due to lower fees from cards and merchants as a result of the impact of COVID-19 on consumer spending. Operating expenses increased due to higher staff and IT costs, and investment in risk and compliance. Profit was also impacted by a significant increase in loan impairment expense due to the expected impact of COVID-19 on customers and the economy.

Operating performance

ASB continued to deliver growth in home lending and above system growth in deposits. A key focus in the second half of the year was supporting customers impacted by COVID-19 through personal and business customer relief packages that included loan repayment deferrals and temporary overdrafts.

Throughout the year, ASB continued to advance its digital strategy to help customers save time and deliver more guidance, advice and tools to reach financial goals faster. This included adding a Save-the-Change feature in the ASB mobile banking app, digitising business term deposits and launching Josie, the chatbot.

To find innovative solutions to complex customer problems, ASB continued to collaborate with industry partners and fintechs. This resulted in the launch of TradeWindow, developed out of ASB's innovation program. TradeWindow uses distributed ledger technology to reduce the time, cost, risk and complexity surrounding international trade documentation.

ASB enhanced its market leading KiwiSaver and investments offering through the launch of a Positive Impact Fund, a portfolio with a preference for investments that generate positive and measurable social and/or environmental impact, alongside a financial return. For the second year in a row, ASB received Canstar's Outstanding Value KiwiSaver Scheme of the Year award.

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

Wealth Management

Cash NPAT[1]

$137m

FY19 $528m

As part of becoming a simpler, better bank we have been divesting the Group's Wealth Management businesses. We have sold Colonial First State Global Asset Management and Sovereign, the New Zealand life insurance business. We have also sold Count Financial and ceased the financial advice businesses, Financial Wisdom and CFP-Pathways. The sale of CommInsure Life is underway and we have announced the sale of a 55% interest in the superannuation and investment business, Colonial First State. All Wealth Management businesses are now classified as discontinued operations.

Financial performance

Wealth Management cash net profit after tax was $137 million, a decrease of $391 million or 74% on the prior year. The result was largely driven by the fact that profits from Colonial First State Global Asset Management are only included up to 2 August 2019 when the business was sold, and the results of CommInsure Life are only included up to 1 November 2019 when the business was deconsolidated. The result was also driven by lower earnings in Colonial First State due to lower funds management income as a result of increased competitive pressures, and an increase in provisions for remediation, compliance and legal matters.

1 Cash NPAT including discontinued operations.

For more information on discontinued operations, refer to Note 11.3 on pages 258–261 in the *Financial report*.

HOW WE CREATE VALUE

Our commitment to sustainability

Delivering balanced and sustainable outcomes for our stakeholders.

Dr Scott Sleap and Jordarna Barber

Commonwealth Bank Teaching Award winner Dr Scott Sleap pictured with Cessnock High School student Jordarna Barber, working on her team's entry for the F1 in Schools STEM Challenge.

Supporting our customers

To improve our customers' financial wellbeing, we are focused on being a simpler, better bank and supporting our customers through uncertain and challenging times.

Investing in our communities

As the Bank for all Australians, we have a responsibility to improve the financial wellbeing of the communities we serve and to make a positive contribution to society.

Commitment to our people

Our people are our greatest asset and having an engaged, energised and accountable workforce delivers better outcomes for our stakeholders.

Good business practice

By conducting our business responsibly and transparently, we contribute to a strong economy and a trusted and resilient financial system.

Our approach to climate change

We are committed to supporting the responsible global transition to a net zero emissions economy by 2050.

Our approach is guided by evolving global practices and feedback from our stakeholders on material matters.

Global principles and goals

We are signatories to international initiatives, principles and goals.

Our policies and targets

We develop policies and targets to drive progress on our commitments. Key policies include:

- Environmental and Social Policy
- Supplier Code of Conduct
- Diversity and Inclusion Policy

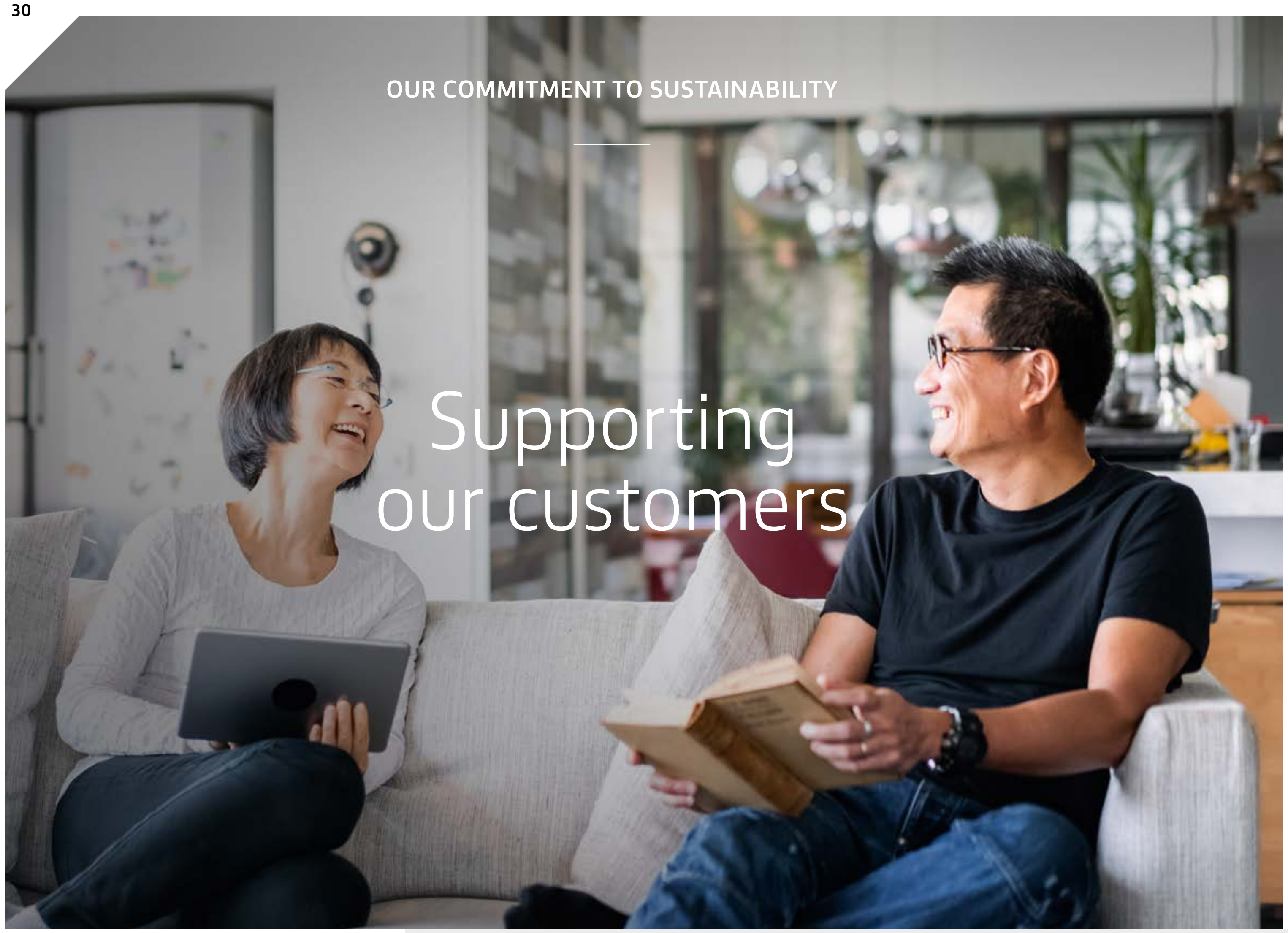
View our policies at commbank.com.au/policies

Providing transparency

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

Assessing our performance

We benchmark our progress using leading sustainability indices and surveys, including:



Supporting our customers

1m+

calls and online requests for help during COVID-19

250,000+

home, business and personal loans deferred at peak

250m

personalised in-app messages offering COVID-19 support

We can. Together.

We continue to focus on being a simpler, better bank and supporting our customers through uncertain and challenging times.

This year, we have worked to maintain essential banking services and provide additional support to customers impacted by bushfires, drought and COVID-19.

Helping customers in need

Through our Emergency Assistance Package for customers affected by bushfires, floods and storms, we expedited more than $100 million in insurance claims, deferred loan repayments, restructured small business loans, and waived certain fees and charges. We also extended the package to all volunteer firefighters.

We made a Drought Assistance Package available to farmers and regional businesses affected by drought. Support measures included a loan repayment pause, waiving of fees and charges and access to a confidential telephone counselling service.

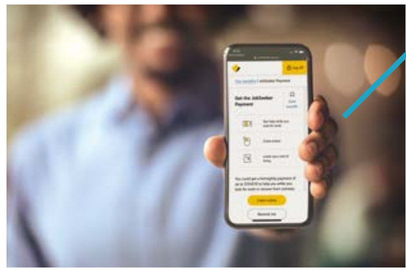
COVID-19 support

To meet the surge in demand for phone and online banking, we reskilled support and frontline employees and added new temporary recruits from the aviation industry to help in our customer contact centres. We kept our branch network open with measures in place to protect our customers and our people.

To meet the needs of customers most at risk from visiting branches, we prioritised calls from customers aged over 70, sent debit cards to those who rely on passbooks and cash, and proactively called 250,000 customers to discuss alternative ways to bank.

At the height of the crisis, we automatically deferred repayments on all eligible small business loans and quickly processed deferral requests for our home loan customers.

We will continue to work with our retail and business customers to provide the support that best meets their individual circumstances going forward.



$153m+

benefits for customers in FY20

Connecting customers with unclaimed benefits

Each year, Australians miss out on millions of dollars in benefits and rebates offered by government agencies and third parties, such as energy rebates, toll relief and carer allowances. Our *Benefits finder* tool in the CommBank app and on NetBank uses data insights and machine learning to match customers with relevant rebates and benefits. Over 690,000 claims have been started through the tool since launch. This financial year, customers have saved $69 million in utility bills and over $84 million in additional government payments.

***Benefits finder* for businesses**

To help customers who run a business, *Benefits finder* now includes COVID-19 related business support packages provided by State and Federal governments. Through the tool customers can now access facilities including instant asset write offs, cash flow assistance, tax relief options and apprentice and trainee support.

Learn more at commbank.com.au/benefitsfinder

Listening to customers

This year, our Executive Leadership Team prioritised directly talking with customers, to understand what is most important to them, and get their feedback on the Bank's performance. This included open customer forums, individual customer meetings, spending time in our branches and listening to customer calls in our contact centres.

Matt Comyn talks to customers at an open forum in Brisbane in November.

At the forums, customers asked about our deposit and lending rates, how we are rewarding loyalty, plans for our branch network, and what we are doing on financial education. Customers also wanted to hear what we learnt from the Royal Commission and how we are rebuilding trust and improving our culture.

Responding to complaints

We take customers' complaints seriously and seek to resolve any problems quickly, fairly and transparently. If customers are dissatisfied with the outcome of a complaint investigation, they can turn to our Customer Advocate team for an independent review. The Customer Advocate's decisions are final and binding for the Bank, but customers can take their dispute to an external resolution body, such as the Australian Financial Complaints Authority, if they remain unhappy with the outcome.

The Customer Advocate team also analyses complaint data to fix problems before they become systemic issues. This helps us to proactively improve our products, processes and decision-making.

Key complaint and Customer Advocate metrics are provided on page 47.

Delivering better customer outcomes

We use our technology, data and insights to help customers better manage their finances. This year we sent over 27 million smart alerts through the CommBank app and NetBank to enable our retail and business customers to avoid unnecessary overdraft and credit card fees. We provide additional resources where we have identified areas of customer vulnerability. This includes our 'Safe and Savvy' guide to help prevent elder financial abuse. We also provide fee-free banking for customers with low incomes and a dedicated Indigenous Customer Assistance Line for customers in remote communities.

Helping customers in hardship

Customers experiencing financial hardship are supported by our Financial Assistance Solutions (FAS) team. This year, the FAS team worked with 45,787 customers to provide solutions tailored to their situations. To help customers experiencing financial stress due to COVID-19, the team has more than doubled to approximately 1,500 frontline staff. Loans deferred due to COVID-19 impacts are not included in the hardship figure.

Compassionate care for mortgage customers

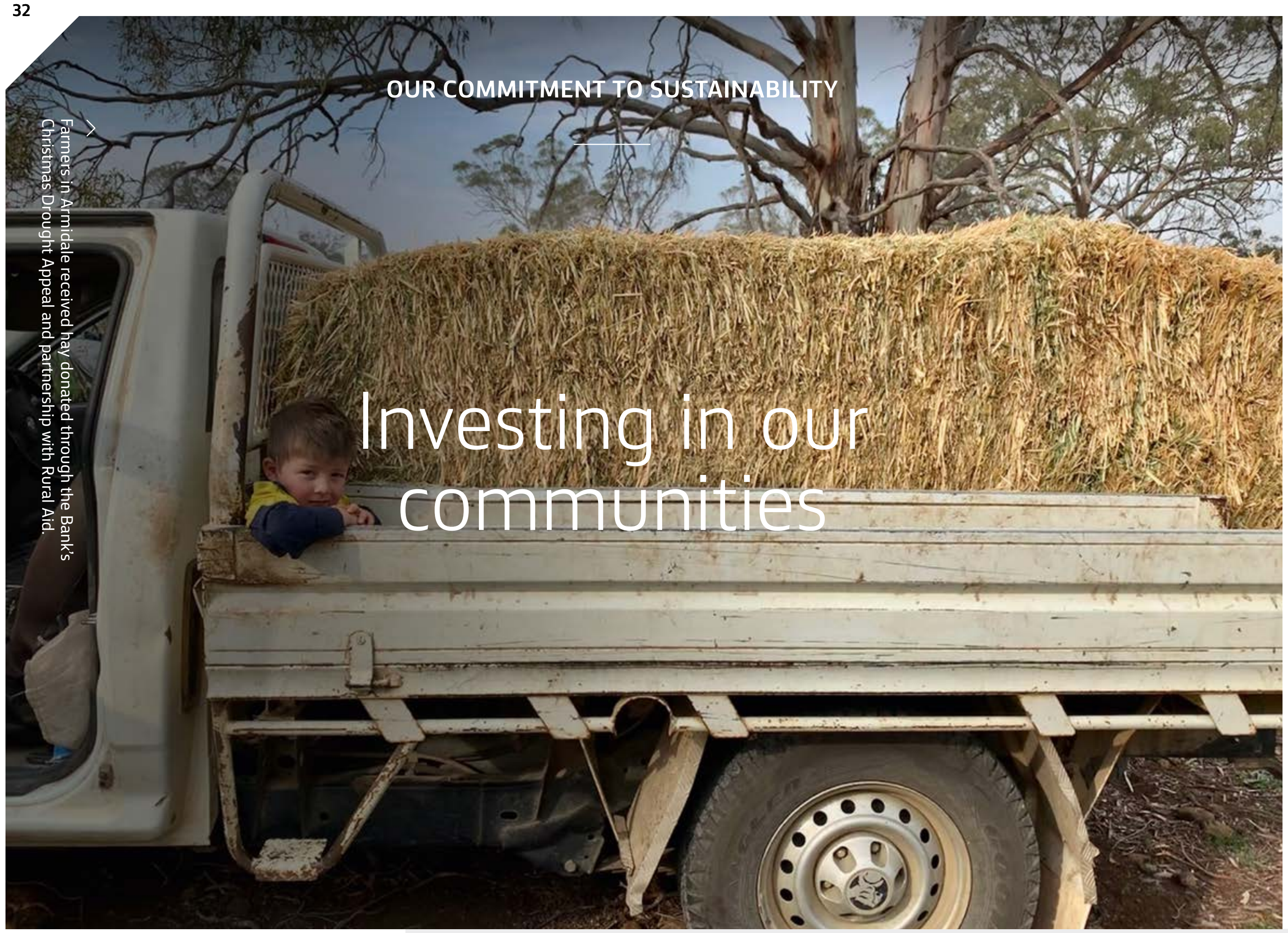
When our customers face a terminal illness diagnosis or lose a spouse or dependant, they need to focus on their health and caring for their family. To ensure they do not worry about making their mortgage payments, we launched Home Loan Compassionate Care in February. This complimentary insurance policy covers up to 12 months of mortgage repayments for eligible owner-occupied home loan customers.

Learn more at commbank.com.au/compassionate-care

Relevant UN Sustainable Development Goals

1 No poverty; 4 Quality education; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities; 13 Climate action; 17 Partnerships for the goals

Investing in our communities



Farmers in Armidale received hay donated through the Bank's Christmas Drought Appeal and partnership with Rural Aid.

$332m

in community investment

377,214

students enrolled in Start Smart financial education

$10m

commitment to bushfire recovery grants

Making a positive contribution

As the Bank for all Australians, we have a responsibility to improve the financial wellbeing of the communities we serve and to make a positive contribution to society.

For more than 100 years, the CommBank Staff Foundation – our people's charity – has been supporting Australians' wellbeing. As part of the Foundation's 2020 grants program, more than 200 grants of $10,000 have been awarded to community organisations to enable them to continue the important work they are doing to help communities in need. Recipient organisations of this year's grants are working to address a diverse range of issues across our community – including homelessness, Indigenous disadvantage, domestic violence and cancer support.

This year, to raise money for communities impacted by drought, we launched the Christmas Drought Appeal. Customers and staff donated generously through our branches and the CommBank app, adding to the $1.6 million donated by the Bank. The donations were provided to four community partners including Rural Aid which delivered over 4,500 bales of hay to more than 440 affected farmers. Other beneficiaries included the Bush Children's Education Foundation, NSW Rural Financial Counselling and the Australian Red Cross.

Our commitment to education

We have a longstanding commitment to financial education to help the next generation make smart decisions about their financial wellbeing, through our school banking and Start Smart programs.

More than 3.9 million school-aged students have now received financial education through Start Smart, our award-winning financial education initiative. The free program was founded in 2007 and is designed to give young Australians the skills and confidence to make good decisions about money.

This year, with schools closed due to COVID-19, we created Start Smart Digital to take facilitators into online classrooms across the nation. More than 11,000 students have participated in online learning sessions to date.

Advancing reconciliation

Through our Reconciliation Action Plan, we are committed to achieving parity for Indigenous representation in our workforce.

Training and employment pathways are critical to accomplishing this goal. To that end, we sponsor several traineeship programs and launched an Indigenous Training Academy to encourage the take-up of careers in technology. More than 30 trainees and interns have now graduated from the Academy and many are pursuing their careers with us in areas such as engineering, end user experience and cyber security.

We are committed to increasing Aboriginal and Torres Strait Islander representation in our domestic workforce to 3% by 2026.

Indigenous workforce

2020	1.5%
TARGET 2026	3%

Awarding great teachers

Together with Australian Schools Plus, the Bank continues to celebrate outstanding Australian educators through the Commonwealth Bank Teaching Awards. Now in its fourth year, the 12 selected teachers and school leaders each receive a $45,000 Teaching Fellowship to fund a strategic project in their school and further their own professional development. This year's winners include Dr Scott Sleap, deputy principal of Cessnock High School in the Hunter Valley. Dr Sleap helps his students see new career possibilities in science, technology, engineering and maths through The Cessnock Academy of STEM Excellence.

Tackling financial abuse

For several years we have invested in programs that support customers, employees and members of the community who are affected by financial abuse in the context of domestic and family violence.

This year, we established a Community and Customer Vulnerability team to identify and respond to those in need with sensitivity and skill. Our frontline branch staff are also trained to provide support and affected customers can speak confidentially to our specialist Community Wellbeing team.

We have partnered with leading experts and community organisations to develop the resources and support networks required to help those affected get back on their feet.

We have also worked with other financial services companies and industry bodies to identify and stop abuse via digital banking platforms, such as the use of transaction descriptions to threaten and intimidate.

Fostering green shoots

Students and teachers at Quaama Public School.

From the start of the bushfire season, we used our branch network and the CommBank app to help gather donations from customers and employees. Thanks to their generosity, nearly $6 million was raised for affected communities.

To help with the rebuild and provide practical, on the ground support, we committed up to $10 million to bushfire recovery grants. Community groups were able to apply for a grant of up to $50,000 to replace lost or damaged equipment or support community wellbeing.

One bushfire grant recipient is Quaama Public School in the Bega Valley Shire. The town's residents had spent years raising money to build a teaching garden at their local public school. Less than two weeks after the garden was officially opened, fire swept through.

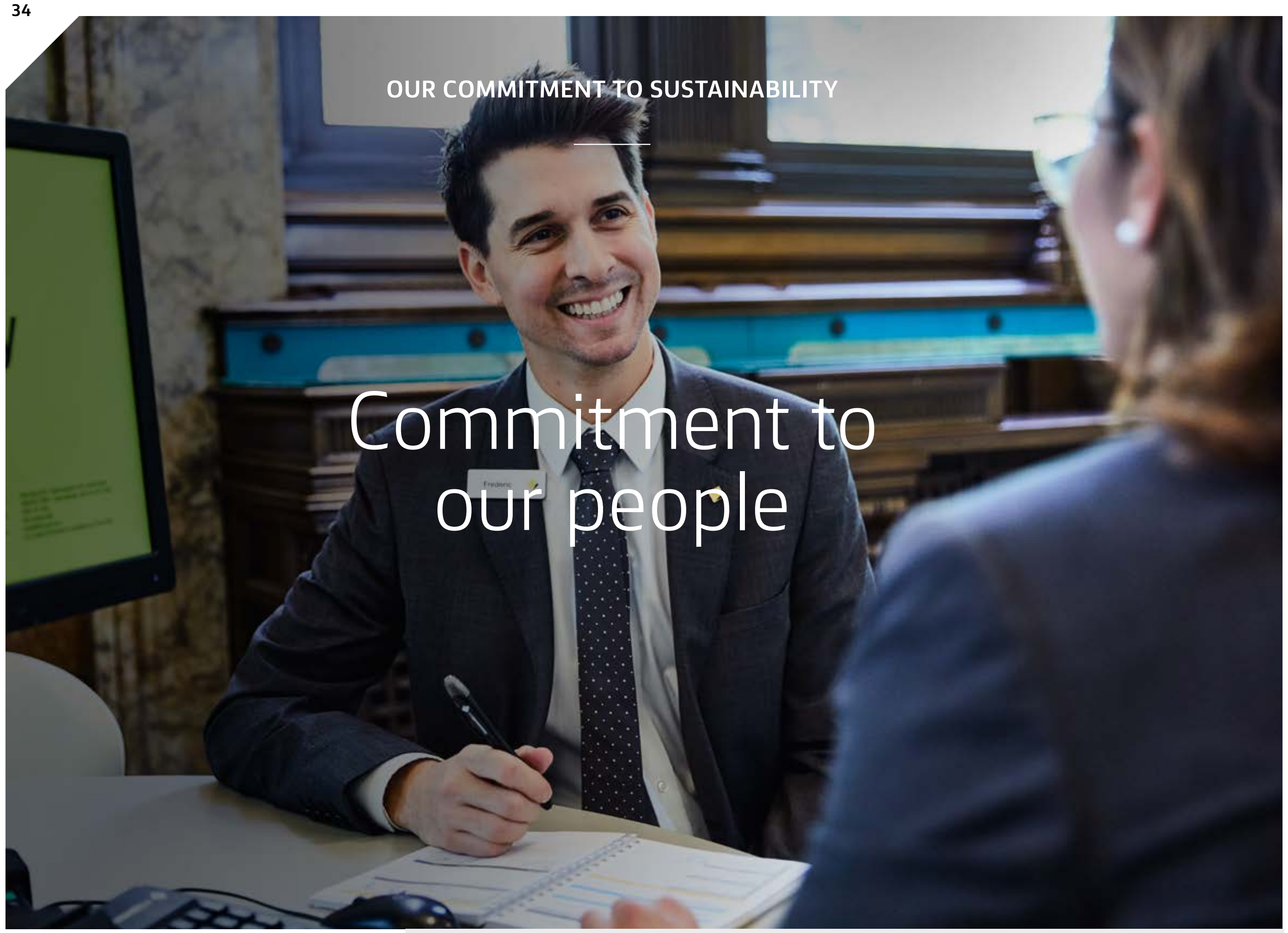
The grant will now allow the school to rebuild the garden, replace the irrigation system and get back to teaching the students how to grow food.

Focusing on reputation and trust

It is critical that we meet the community's expectations and are trusted. To rebuild trust, we have been focused on demonstrating through our actions that we are capable and reliable, doing the right thing and improving outcomes for all of our stakeholders. To emphasise the importance of rebuilding the Bank's reputation, executive leaders' long-term variable remuneration granted since FY18 is in part linked to relative improvements in our RepTrak score.

See page 90 for more details.

Relevant UN Sustainable Development Goals



Commitment to our people

89%
proud to work for the Bank

90%
confident in the future of the Bank

41%
women in Executive Manager and above roles

Engaged and energised

Our people are the Bank's most important asset and an engaged, energised and accountable workforce is essential to delivering better outcomes for all of our stakeholders.

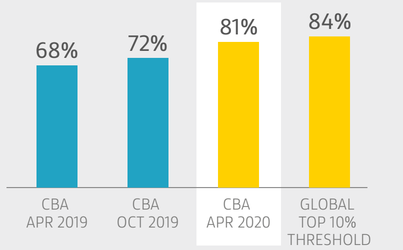
We track and measure employee engagement through the Your Voice people and culture survey. Our goal is to be among the top 10% of companies globally for our employee engagement score. Our most recent results show a significant improvement in engagement, with our people indicating they feel proud of the work we have been doing to provide essential services to customers, communities and the broader economy during this year's bushfires and COVID-19. During the pandemic, we conducted additional, focused surveys to assess our people's key concerns.

In the April survey, employee engagement was 81%, up 13% on April 2019. 89% of our people said they feel proud to work for the Bank, 90% expressed confidence in the future of the Bank, and 82% said they felt a personal sense of accomplishment in the work we are doing.

Strengthening culture and accountability

Our Code of Conduct incorporates our purpose and values, and sets expectations on how our people should act. It includes the 'Should We?' test to ensure our people do the right thing by our customers and the community. This year, further work was done to embed our Code of Conduct into our processes to support the skills and mindset required to deliver the best customer and risk outcomes. Our new recognition programs celebrate colleagues who are living our values, and allow our people to nominate those who have gone above and beyond for Excellence Awards.

Employee Engagement Index score



Prioritising health, wellbeing

This year, more than ever, our priority has been the safety, health and wellbeing of our people. To ensure we maintained essential banking services and met the surge in customer demand for assistance during COVID-19, we quickly adapted our branches and offices to maintain physical distancing and keep our people and customers safe. We also quickly scaled our remote working technologies allowing more than 39,000 of our people and delivery partners to work from home.

To help our people manage coronavirus-related health, anxiety or financial concerns, we provided a range of wellbeing and family support resources via podcasts, webinars, videos and our Thrive wellness portal. Employees were able to book free health checks through our online health hub, and access confidential counselling through our MyCoach telephone service. We also offered an interest-free cash advance to employees who were having difficulty meeting expenses due to the impact of COVID-19 on them or their families.

Promoting a SpeakUP culture

It is important that our people feel they can raise any issue or conduct that concerns them, and know that they will be taken seriously. This year, we enhanced our whistleblower policy to meet the requirements of ASIC Regulatory Guide 270 and provided additional avenues for our people to raise concerns, including the introduction of an anonymous online channel. The policy was also expanded to include spouses, dependants and relatives of employees, in addition to current and former employees, contractors, consultants and suppliers. As a result of these changes, whistleblower cases raised through our SpeakUP program increased to 103 from 30 in FY19. More broadly, general SpeakUP cases decreased to 284 for the year, from 311 last year.

Learn more at commbank.com.au/policies

Welcome aboard

We hired new colleagues from the aviation industry to help our contact centres manage the increased volume of customer assistance requests during the coronavirus pandemic. The temporary recruits, from Qantas and Virgin, bring customer service skills that transfer well from aviation to banking. To prepare them for supporting customers, we launched a 15-day training program. We also provided dedicated coaching and observation, so that our new recruits had the confidence and capability to take calls with customers.

Molly Beveridge, Scott Thompson and Louis Diamond have joined the Bank from the aviation industry.

Creating a diverse, inclusive culture

When our people and leaders reflect the diversity of our customers and when our people feel respected and supported, we can deliver the best outcomes for all of our stakeholders.

Our employee-led networks play an important role in promoting inclusion and informing solutions for our people and customers. They include WeCAN (gender equality), Yana Budjari (Aboriginal and Torres Strait Islander peoples and cultures), Unity (sexual orientation and gender identity), Mosaic (cultural diversity), AdvantAge (life-stage and age) and Enable (accessibility and inclusion for people with a disability).

We know that sharing child caring responsibilities promotes workforce participation and are happy to see male employees continue to access parental leave this year. Parents at Work, an organisation that provides work and family education and policy advice, featured the Bank in a case study on our gender-neutral parental leave. We also created Financial Wellbeing Guides to further support parents.

We have achieved the goals set in 2015 to increase the number of women in leadership roles, and so this year have set a new ambitious goal to achieve 47–50% of women in Executive Manager and above roles by 2025. We are also committed to gender pay equity and review it throughout the year as part of our remuneration review process.

While we are proud that the Bank overall is more culturally diverse than the Australian population, we will continue to focus on cultural diversity across our senior leadership roles.

Our key workforce metrics are provided on page 50–51.

Women in leadership

	2020 target	2020 actual
Executive Manager and above roles	40%	41%
Manager and above roles	45%	45%

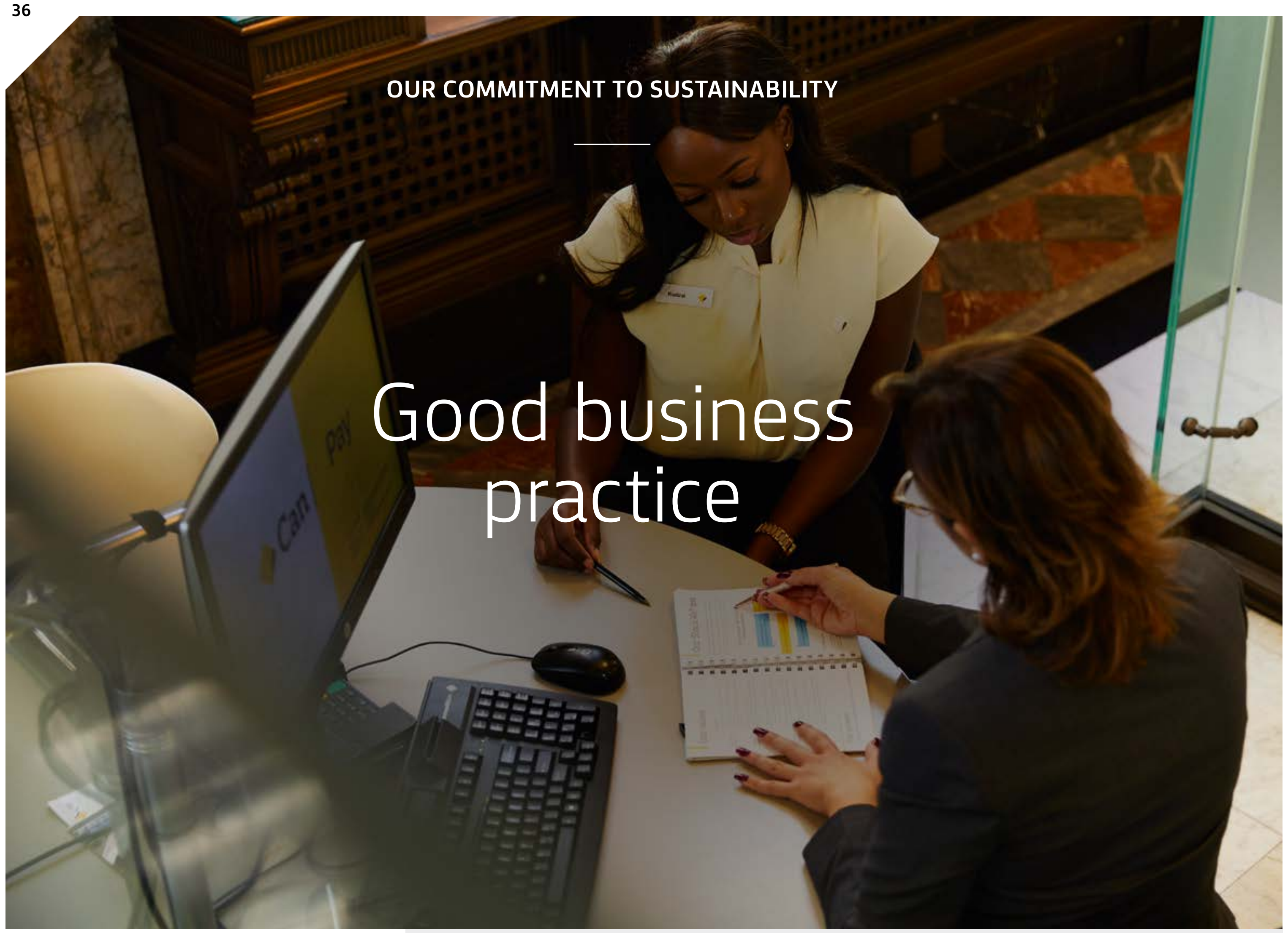
New goal
47–50% women
in Executive Manager and above roles by 2025

Support for staff impacted by domestic and family violence

Due to the size of our workforce and the scale of the issue, we know that many of our people are directly impacted by domestic and family violence. To support affected employees, we offer as much paid leave as they need to navigate their situation. We also provide up to five days' paid leave to employees helping an immediate family or household member.

Relevant UN Sustainable Development Goals

3 Good health and well-being
5 Gender equality
8 Decent work and economic growth
10 Reduced inequalities
17 Partnerships for the goals



OUR COMMITMENT TO SUSTAINABILITY

Good business practice

100%

of Australian electricity needs now sourced from renewable energy, 10 years ahead of target

$5.4bn

in low carbon project financing

11 days

average time to payment for small business suppliers; moved to immediate payment terms for small businesses during COVID-19

Building partnerships

The Bank's heritage and scale means that we have a responsibility to contribute to a strong economy and a trusted and resilient financial system. We can achieve this when we work transparently and constructively with government, regulators, industry associations and the community.

During the coronavirus pandemic, we have been working with the industry, the government and regulators to quickly mobilise a broad range of support and stimulus measures. By working together, we have been able to get money into the economy and take pressure off households and businesses by offering lower cost loans and loan repayment deferrals. This collaborative environment has also enabled unprecedented change and accelerated innovation in the sector, including increased adoption of electronic payments and digital engagement by the community.

To help the government and regulators get a gauge on how the economy, businesses and individuals are faring, we are providing access to aggregated real-time banking and payments data. This data will continue to help policy makers design policies that support economic recovery over the longer-term.

To drive increased customer choice, competition and innovation, we have been an active participant in initiatives such as Open Banking, Comprehensive Credit Reporting and the New Payments Platform.

To support financial and economic stability more broadly, we contribute to initiatives that address financial crime and cyber security. As a member of the Fintel Alliance we work with Australian and international regulators to combat money laundering and terrorism financing; and through our cyber security program we invest in cyber skills education and capacity building to strengthen system-wide resilience.

We are also committed to making the changes necessary to restore and maintain trust in the Bank and our industry. We have participated in more than 65 government inquiries in recent years which have led to changes in legislation, regulation and industry practice.

Managing environmental and social risks

We manage environmental and social risks in our operations, lending activities, and superannuation and investment business. This includes minimising our environmental footprint and supporting the transition to a low carbon economy, as well as identifying and improving human rights impacts through our value chain.

Our Environmental and Social Policy outlines our commitments and targets, as well as how we manage the risks and identify opportunities.

We are committed to playing our part in limiting climate change in line with the goals of the Paris Agreement and supporting the responsible global transition to net zero emissions by 2050. This year, we achieved our target to source 100% renewable electricity for our Australian power needs, 10 years ahead of our 2030 deadline. As at 30 June 2020, we had total committed exposures of $5.4 billion to low carbon projects, including $4.2 billion in renewable energy exposure.

All institutional bank loans, as well as large loans in other business units, are evaluated through a compulsory ESG Risk Assessment Tool. Annual training is undertaken by the relevant client, risk and product teams to ensure they are up-to-date with requirements.

ESG risks are also incorporated into our investment decisions to deliver sustainable, long-term outcomes.

For more information on how we manage climate change risk and opportunities, see pages 38–45.

Responsible investing

Our investment and superannuation business, Colonial First State (CFS), has exited all investments in companies associated with the production of tobacco and controversial weapons across its bond and equity portfolios. The exclusion applies to all fund managers engaged by CFS, and was achieved as at 31 December 2019.

Managing our supply chain

We have more than 7,200 Australian and international suppliers so it is important that we fulfil our responsibilities to those businesses as well as manage potential risks.

We are a signatory to the Australian Supplier Payment Code which requires us to pay eligible Australian small business suppliers on time and within 30 days of receiving an invoice. This year, our average payment time for these suppliers was 11 days; and to keep cash flowing during COVID-19 we changed all payment terms for small businesses to immediate payment.

Our Supplier Code of Conduct outlines how we manage supply-chain risks such as data security and privacy, human rights, modern slavery, environmental impact, and bribery and corruption. We require all suppliers to acknowledge this code as part of their contractual agreement with us.

Minimising the risk of modern slavery

Our approach to human rights and modern slavery is guided by our Environmental and Social Policy. We engage with new and existing suppliers to actively identify, manage and mitigate these issues. This year we added detailed questions on modern slavery to our tender questionnaires for all new supplier arrangements; and we updated our Supplier Code of Conduct to provide guidance to suppliers on how we will work with them when issues are suspected or identified.

We undertook country and industry level risk analysis of key suppliers. For our property operations, this identified that the high risk suppliers were in construction, catering, cleaning and security services. We then asked these suppliers to provide detailed information on their policies, processes and remediation mechanisms. We also sought advice from the Mekong Club on supply chain due diligence and invited Be Slavery Free to present to key property services suppliers to build awareness.

We will release our Modern Slavery Statement in the 2021 financial year as required under the *Modern Slavery Act 2018* (Cth).

Our annual Modern Slavery and Human Trafficking statement which responds to UK requirements is available at commbank.com.au/CRreporting

Banking Code of Practice

As a member of the Australian Banking Association we helped develop the new Banking Code of Practice which came into effect on 1 July 2019. The code adds new protections for vulnerable customers, loan guarantors, co-borrowers and small business customers.

Political donations

Our Group External Communications and Engagement Policy explicitly precludes the Bank from making political donations. We may, however, pay to attend some political events aimed at the business community. To attend these events in the 2020 financial year we contributed $70,500 to the Australian Labor Party, $70,000 to the Liberal Party of Australia and $11,175 to the National Party of Australia. These payments are disclosed in line with the requirements of Federal and State governments.

Industry associations

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

Relevant UN Sustainable Development Goals

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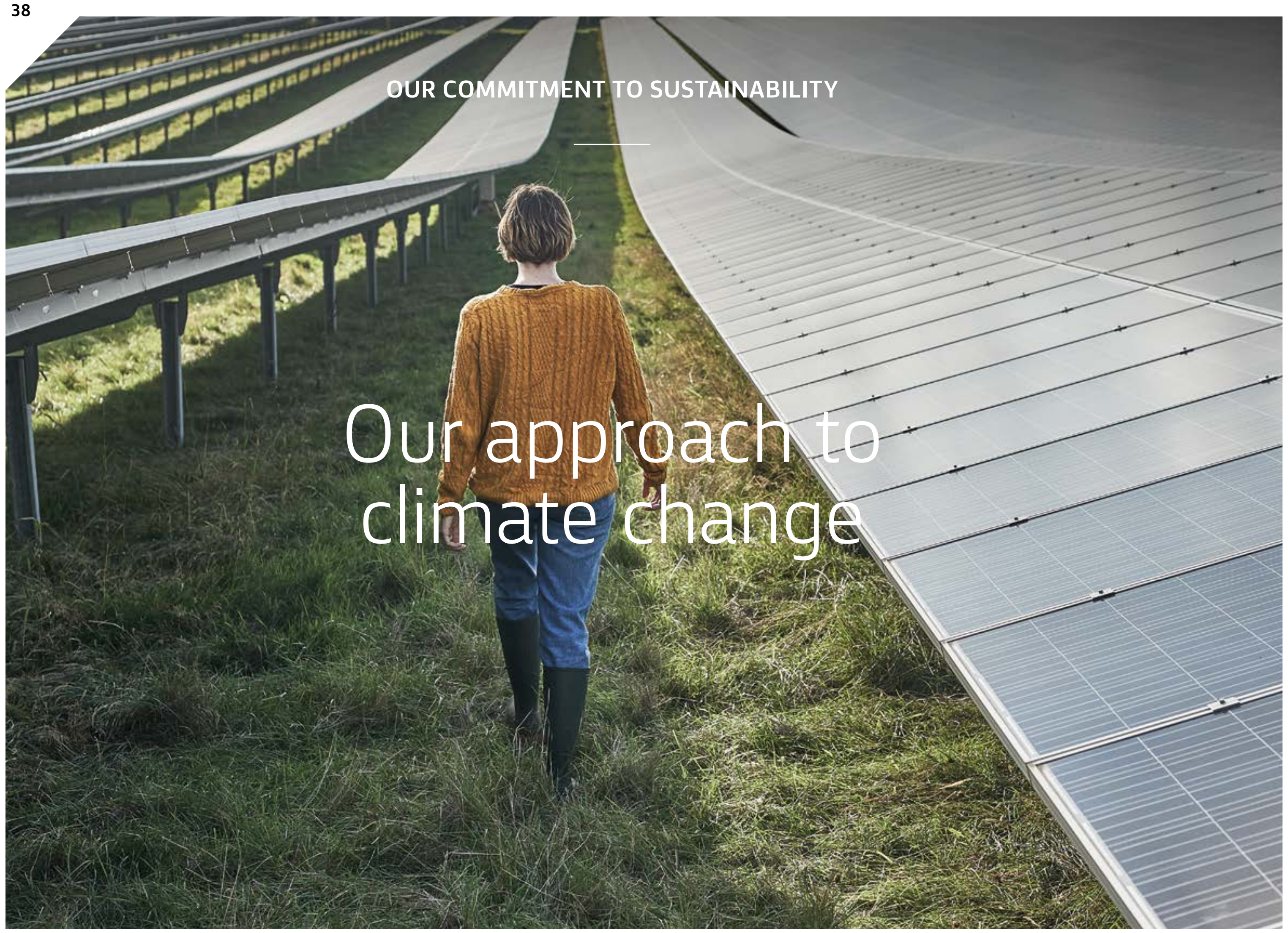

OUR COMMITMENT TO SUSTAINABILITY

Our approach to climate change

Climate change poses a significant risk to our environment, our economy and our community, and is a source of both risks and opportunities for the Bank. We are committed to playing our part in limiting climate change in line with the goals of the Paris Agreement and supporting the responsible global transition to net zero emissions by 2050.

To achieve the goals of the Paris Agreement, action over the next decade to 2030 is crucial while supporting the financial wellbeing of our customers, communities and the Australian economy.

Since 2018 we have been disclosing our progress, performance and plans in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The first three phases of our approach to climate change focused on establishing the governance and deep analysis required to better understand climate risks and opportunities. In the current fourth phase, we are focused on incorporating climate considerations into our strategy across all business units, and enhancing our approach to risk management.

The recent bushfires resulted in heightened attention from customers, investors, regulators and the community on the role businesses play in addressing and managing environmental and social impacts. This year, we have continued to take proactive steps to support our customers and clients, and contribute to economy-wide initiatives that support a sustainable and resilient economy.

Phase 1
Pre-FY18
Policy, due diligence, governance

Phase 2
FY18
Analysis of portfolio risks and opportunities

Phase 3
FY19
Extending scenario analysis, developing strategic responses, capability building

Phase 4
FY20–21
Embedding climate considerations into strategy, business and risk management processes

Our progress

	Action	Phase 1–2 Pre-FY19	Phase 3 FY19	Phase 4 FY20	Phase 4 FY21
Governance	Oversight of climate risks by the Board Risk & Compliance Committee and Executive Leadership Team (ELT) through the Risk Management Framework	Complete			
	Group Environmental and Social (E&S) Policy clarifying Board and subsidiary Boards' oversight and Management accountability for E&S risk, including climate change		Complete		
	Group E&S Framework outlining climate commitments (reviewed on an ongoing basis)		Ongoing	Ongoing	Ongoing
	Review and update Responsible Investment Policy in Colonial First State (CFS)	Complete		Complete	
Strategy	Commitment to support the objectives of the Paris Agreement	Complete			
	Climate scenario analysis:				
	• Business lending: transition risks. Home lending and insurance: physical risks. FirstChoice Australian Share Fund: transition risks.	Complete			
	• Agribusiness lending: physical risks.		Complete		
	• Business lending: physical risks.				Future activity
	• Retail (home lending) and insurance: transition risks.				Future activity
	Develop and integrate strategic responses to address climate change through our own business actions, as well as through our broader role with our customers and communities	Ongoing	Ongoing	Ongoing	Ongoing
Risk management	Climate incorporated into the Risk Management Framework as a strategic risk and a driver of financial and non-financial risks	Complete			
	Group Risk Appetite Statement annual review			Complete	
	Update our business lending policies in the E&S Framework to support the responsible transition to a net zero emissions economy by 2050		Complete		
	Undertake analysis of emissions intensity of our business lending portfolio and Energy Value Chain to track performance of supporting the transition to a net zero emissions economy	Ongoing	Ongoing	Ongoing	Ongoing
	Ongoing development and evolution of our ESG Risk Assessment tool for business lending	Ongoing	Ongoing	Ongoing	Ongoing
	Expansion of climate change metrics aggregated across the entire CFS portfolio			Complete	
Metrics and targets	Emissions reduction targets (Scope 1 and 2)	Ongoing	Ongoing	Ongoing	Ongoing
	RE100 commitment to source 100% renewable energy by 2030 (achieved for Australian operations)		Ongoing	Ongoing	Ongoing
	Targeting an average emissions intensity decrease of our business lending portfolio	Ongoing	Ongoing	Ongoing	Ongoing
	Set new emissions reduction targets: • Science-based emissions reduction target (Scope 1 and 2) • Scope 3 emissions reduction target				Future activity

Key: Complete Ongoing Future activity

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Climate governance

The Board oversees the management of climate-related risks and opportunities, as outlined in the Board Charter. Specifically, the Board:

- Sets, approves and oversees the Group's approach to managing risk, including the management of financial and non-financial risks and of strategic and emerging material risks.
- Considers the social, ethical and environmental impact of the Group's activities.
- Approves with input from management, the strategic, business and financial plans to be implemented by management.
- Approves climate-related disclosures.

The Executive Leadership Team (ELT) is responsible for climate-related matters, including:

- Directing the development and implementation of environmental and social policies.
- Overseeing of progress, performance and reporting.
- Leading external engagement and advocacy.

The Group E&S Policy released in August 2019 outlines the governance and oversight in place to support embedding environmental and social considerations into our business processes and decision-making. This is supported by the Group E&S Framework outlining the minimum standards, targets and commitments we are working towards. Accountabilities for the E&S Policy are set out in the relevant Business Unit and Support Unit Procedures.

The E&S Policy also prescribes the process for subsidiary Board oversight.

See our E&S Framework at commbank.com.au/policies

Climate strategy

We are committed to playing our role in the responsible transition to a net zero emissions economy by 2050. To achieve this, we remain focused on reducing our own emissions and continuing to progress our actions in the institutional bank, ensuring our business lending activities are aligned and supporting our clients. Going forward, we recognise the opportunity to leverage our business banking and retail banking franchise to support our customers to reduce their emissions and adapt to the impacts of climate change. We will continue to evolve our approach over time. In 2018 and 2019, we undertook scenario analysis to better understand the climate change impacts, risks and opportunities for the Bank and to build the resilience of our customers and business. The insights from the analysis inform our approach to managing the short and medium term impacts, and having the right tools in place to reshape each of our portfolios to be more resilient to the long-term impacts identified.

Scenario analysis – areas of focus

Physical			Transition	
Drought, Flooding	Storms, Extreme heat	Bushfires, Sea level rise	Market, Policy and Regulation	Legal, Reputation, Technology
Grains, livestock and dairy agriculture portfolios	Building insurance policies	Home loan portfolio	FirstChoice Australian Share Fund	Business lending portfolio
Potential impacts on profitability and adaptation options to reduce impact.	Potential impacts on insurance claims and affordability of insurance.	Potential damage to properties at an aggregated level due to natural perils. Home loan portfolio exposure concentrations.	Exposure of fund to growth and contraction sectors.	Economic growth and contraction by sector. Sector heat maps. Exposure of portfolio to growth and contraction of sectors.

More information on our climate scenario analysis is available at commbank.com.au/TCFD2018 and commbank.com.au/TCFD2019

We are addressing climate change through our own business actions as well as our broader role with customers and communities.

We are aligning our business lending portfolio to a net zero emissions economy by 2050 by:

- Developing climate-related products and increasing our lending to low carbon projects, tracked through our Low Carbon Target.
- Partnering with our clients and incentivising measurable action through sustainability-linked loans.
- Supporting increased renewable energy generation, while reducing our exposure to coal over time.
- Using the business lending assessed emissions analysis to identify priority areas for reducing emissions (see page 44 for details).

Supporting our customers and clients

We are developing innovative climate-related products to help customers with mitigation and adaptation. We have launched a green term deposit pilot for wholesale clients in Australia. The investment proceeds contribute to the Bank's pool of funding used to finance 'green' assets certified by the Climate Bonds Initiative. In New Zealand, ASB has developed and launched two new Positive Impact Funds available through the ASB KiwiSaver Scheme and ASB Investment Funds for customers who want a stronger approach to responsible investment. The funds have a preference for assets making a positive social and environmental impact with a lower carbon intensity than the wider market.

Sustainable finance

This year, the Bank was a joint lead manager for the AUD300 million QIC Shopping Centre Fund (QSCF) Green Bond, certified by the Climate Bonds Initiative. QSCF has committed to achieve a minimum 4-star NABERS energy rating for its core retail assets by 2023 and are targeting zero net emissions by 2028.

Supporting our agribusiness customers

Last year, we undertook climate scenario analysis to better understand the potential impacts that a changing climate may have on farm productivity and the long-term outlook for the sector. Separately, we have also used historical industry data to map productivity levels for regions in Australia for the grains, livestock and dairy sectors. A closer focus on productivity levels across these three sectors and regions helps us understand and better support individual customers' needs and circumstances. We used these insights to guide our approach to agribusiness lending for these sectors, to help our customers manage sustainability through agricultural cycles.

Green mortgage initiative

To help home loan customers benefit from more affordable and sustainable energy, we ran a pilot offering $500 cash-back to our retail customers with an installed and certified solar PV system of five kilowatts (kW) or greater.

During the six-week offer period, 4,703 customers took up the offer. The initiative prompted 16% of participating customers to install new solar panels.

Incentivising the transition to a low carbon economy

Sustainability-linked loans tie a borrower's cost of funding to their environmental and social performance. In July 2019, we provided $150 million of debt funding to Queensland Airports Limited (QAL) for the Gold Coast Airport redevelopment, with $75 million provided in the form of a sustainability-linked loan. The Gold Coast Airport financing is the first in Australia to be directly linked to a reduction in carbon emissions, aligning to a widely adopted carbon emission industry framework, the Airport Carbon Accreditation Program.

Playing our role in creating a resilient and sustainable economy

Supporting community recovery and resilience

This year's extreme weather events including drought, floods and bushfires, tested the resilience of the communities impacted. The Bank's Emergency Assistance package provided immediate support to our customers. We also supported recovery efforts for communities. See pages 32–33 for more information.

We are actively collaborating with other organisations to lift national resilience. This work allows us to proactively invest in building resilient communities, disaster reduction and disaster response.

Collaborating on new banking and industry standards

We are a member of the Australian Sustainable Finance Initiative, which supports the development of a roadmap to a more resilient and sustainable economy for Australia. In New Zealand, ASB has joined with more than 100 companies as part of the Climate Leaders Coalition.

We are actively contributing to the Climate Measurement Standards Initiative. Through the initiative, Australian banks, insurers, scientists and asset owners have been developing open-source technical and business standards for the assessment and disclosure of physical climate risks on infrastructure and real estate assets.

The Bank is also a signatory to the Equator Principles III (EPIII) – a global set of principles and guidance to assess, mitigate, manage and monitor environmental and social risks in project-related financing. CBA co-leads the Climate Change Working Group to develop additional climate change assessment requirements in the next iteration of the Equator Principles (EPIV). This will include deeper guidance to support implementation of the principles by global financial institutions.

Responsible business lending

All Institutional Bank loans, as well as large loans in other business units, are evaluated through our compulsory ESG risk assessment tool. Medium or high ESG risk profiles are subject to additional due diligence and escalated depending on the level of risk. We continue to provide guidance to our bankers on executing the business lending commitments in the E&S Framework. This year's ESG training provided bankers with prompts to understand clients' plans for climate transition and resilience to physical climate risks.

Responsible investing

Colonial First State (CFS) is the Group's investment and superannuation business. CFS assesses climate-related risks in line with its Responsible Investment Policy.

To monitor the climate-related risks of its investments, CFS assesses two metrics for the equity allocation of Assets Under Management (AUM) at a whole of portfolio level[1]:

- Carbon emissions footprint per $100,000 invested: 20.77t$CO_2$e/$100k AUD (FY20).
- The weighted average carbon intensity per US$M sales: 235.47t$CO_2$e/$1M sales USD (FY20).

Equities comprise approximately 60% of CFS' total AUM.

CFS also measures the carbon emissions of its investments by assessing forward-looking metrics such as low carbon transition and emissions management scores. This information is reported to the CFS Board Investment Committee. As CFS investments are managed by external investment managers, CFS monitors the climate-related risk within individual funds and aggregated portfolios at the selection, appointment and monitoring stages of portfolio management.

1 Excluding Avanteos Investments Limited (AIL) and Bankwest bank deposits.

Climate risk management

Environmental and social risk, including climate change, is a strategic risk managed under the Group's Risk Management Framework and has the potential to impact the achievement of our purpose and strategy.

In December 2019, we updated our Group Risk Appetite Statement to provide greater clarity on non-financial risk indicators and capture the importance of environmental and social risks as a driver of franchise value.

To support a strategic and coordinated response on E&S matters across all business areas, we are developing an E&S Risk Roadmap, focusing initially on climate risk.

More information about the Bank's current risk priorities including climate change and the key actions we are taking is on page 61.

Monitoring our exposures

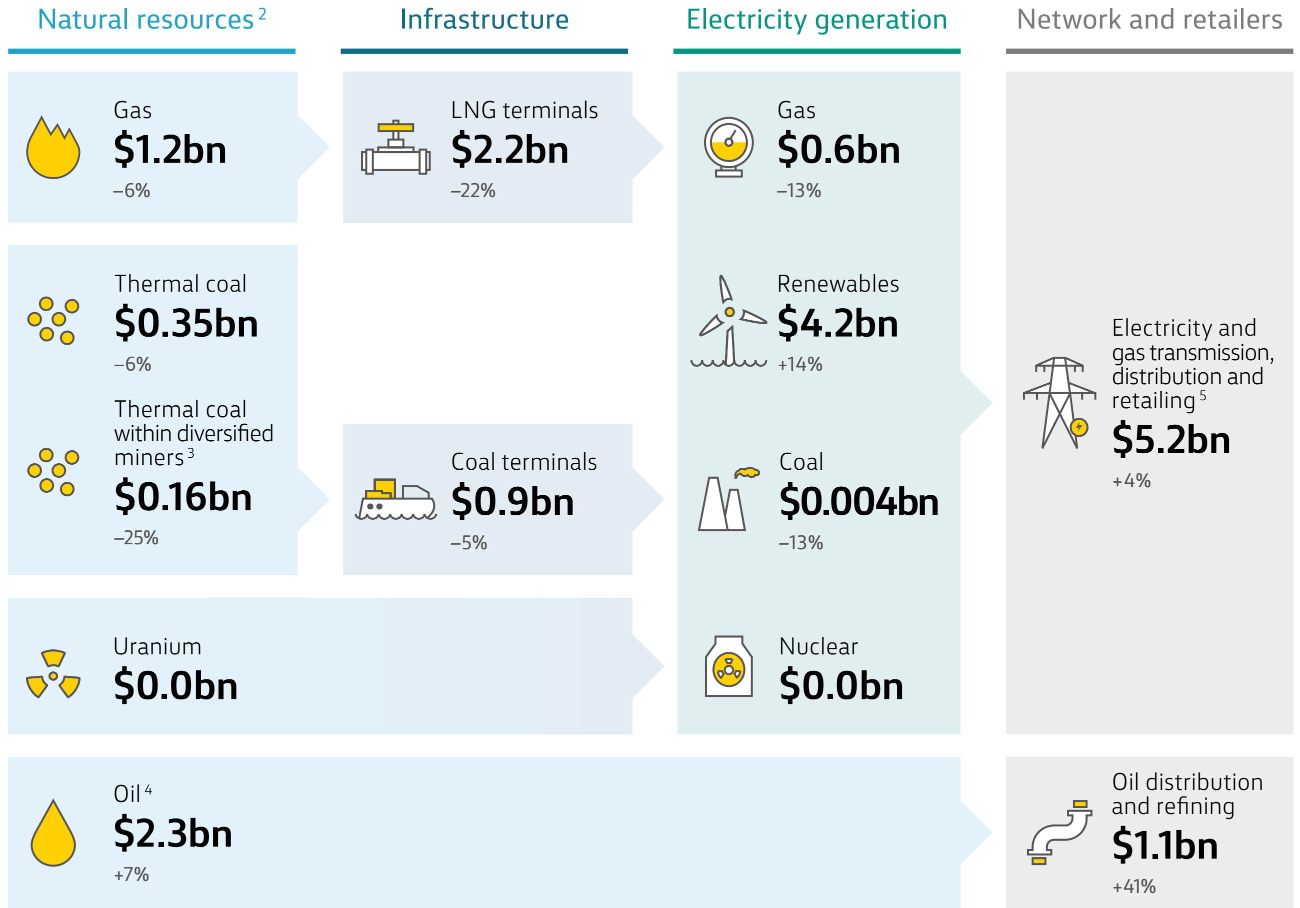
Our E&S Framework outlines our climate commitments, including:

- Continuing to reduce our exposures to thermal coal mining and coal fired power generation, with a view to exiting the sectors by 2030, subject to Australia having a secure energy platform.
- Only providing Banking and Financing activity to new oil, gas or metallurgical coal projects if supported by an assessment of the environmental, social and economic impacts of such activity, and if in line with the goals of the Paris Agreement.
- Recognising and supporting gas as a transition fuel, while working with our customers in accordance with our own climate scenario analysis, which is informed by the Intergovernmental Panel on Climate Change guidance.

The energy value chain graphic below shows our exposure to energy-related assets.

Our support for the transition to a low carbon economy is reflected in our declining exposure to coal, and our increasing exposure to renewables. The increase in oil-related exposures is substantially due to foreign exchange movements in derivative hedging exposures for a single existing client.

Energy value chain exposures as at 30 June 2020[1]



1 All figures are Total Committed Exposures (TCE) excluding Commitment at Offer as at 30 June 2020. Figures represented have been specifically derived based on material client exposures, and have not been netted off against any insurance or guarantees that mitigate the Bank's risk exposure to clients. Not included are 'Other energy-related' exposures ($0.1 billion) which comprise smaller loans and exposure to energy trading entities.
2 Exposures to metallurgical coal mining ($0.02 billion), and metallurgical coal mining within diversified miners ($0.06 billion) not included.
3 Thermal coal exposure within each diversified miner is calculated as the Group's exposure to the miner, excluding exposure to coal subsidiaries, multiplied by the percentage EBITDA contribution of thermal coal in its latest annual financial statements. Exposures to coal subsidiaries of diversified miners, i.e. subsidiaries whose business activities are predominantly related to coal mining, are allocated to thermal coal.
4 Exposures in Oil (Natural resources) for 30 June 2019 have been revised due to reclassification of some clients, which impacts the year-on-year change percentages.
5 Electricity and gas transmission, distribution and retailing includes exposures to companies that operate across the electricity and gas supply chain, including vertically integrated gentailers; exposures to entities that operate domestic gas pipeline, processing and storage facilities; and exposures to companies that provide retail electricity and gas products to end-customers.

Measuring the emissions intensity of our business lending

We continue to assess the emissions arising from our business lending across Commonwealth Bank, ASB and Bankwest. The insights garnered from this analysis provide us with a quantitative basis to identify key priorities to reduce the emissions arising from our business lending portfolio.

Our sixth iteration of this annual assessment has demonstrated overall stability in the emissions intensity of the Group's business lending portfolio, at 0.26kgCO_2-e/$AUD of expenditure. With the exception of Property and business services, the emissions intensity of expenditure in each sector across our portfolio decreased in FY19. The Agriculture, forestry and fishing, and Electricity, gas and water supply sectors continue to represent the most emissions intensive sectors in the Bank's lending portfolio.

An increase in the proportion of our lending exposure to the Agriculture, forestry and fishing sector offset the broader decline in other sectors' emissions intensity. The Electricity, gas and water supply sector's emissions intensity continues to decline year-on-year, partially driven by reduced exposure to coal electricity generation. In addition, several renewable energy projects became operational, and this phase is typically less carbon intensive than the construction phase.

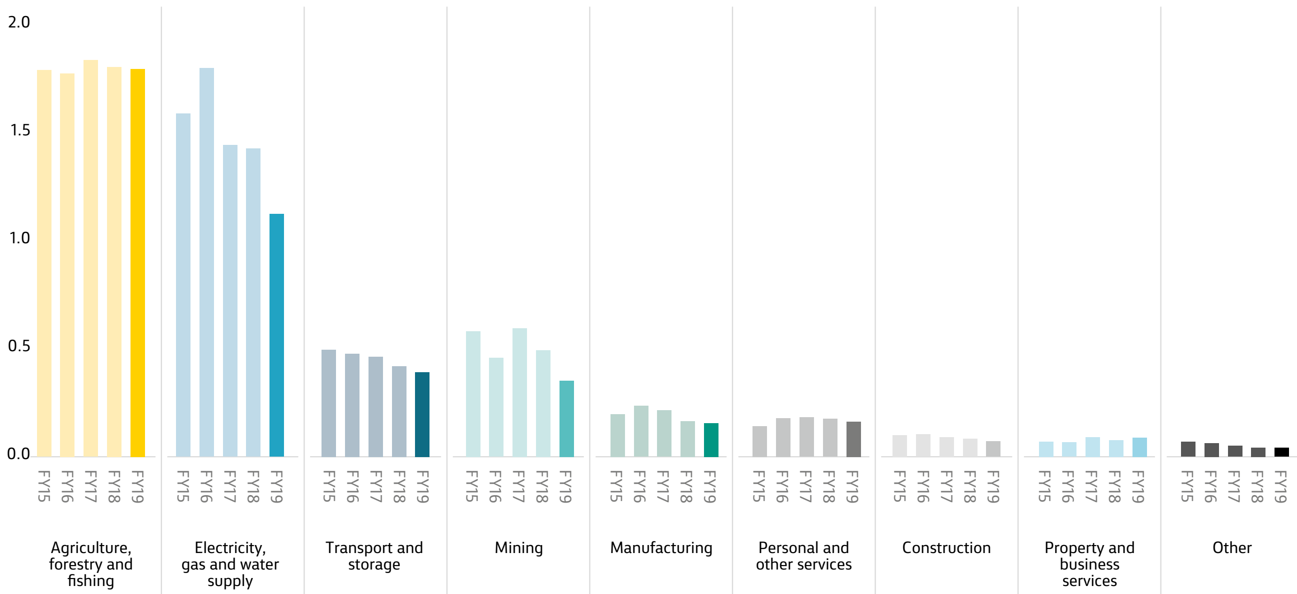
Within the Mining sector, metal ore mining had the largest drop in emissions intensity. The Bank's exposures to thermal coal mining also decreased in the period.

Group business lending

% of assessed emissions by sector (FY19)

Agriculture, forestry and fishing	44%
Transport and storage	14%
Electricity, gas and water supply	13%
Manufacturing	10%
Property and business services	7%
Mining	5%
Construction	2%
Personal and other services	1%
Other	4%

Group business lending emissions intensity of expenditure (kgCO_2-e/$AUD)



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

Metrics and targets

We are committed to continually reducing the environmental impact of our operations and aim to reduce our emissions by investing in smart technologies and practices. Key milestones achieved this year include:

- Reaching our target to source 100% of our electricity needs from renewable sources for Australian operations, consistent with our 2030 RE100 commitment.
- Increasing our onsite renewable energy generation capacity using solar photovoltaic (PV) panels to 1,510kW at 80 sites across the country, exceeding our 2020 target of 1,250kW.
- Our New Zealand operations (ASB) have achieved Toitū carbonzero certification from Toitū Envirocare. The certification validates ASB as a carbon neutral organisation for its 2019 operational emissions.

We continue to track the overall performance of our Scope 1 and 2 emissions reduction target, and have committed to setting science-based emissions reduction targets for Scope 1 and 2, as well as a Scope 3 emissions reduction target.

We remain committed to offsetting unavoidable emissions to achieve carbon neutrality, and intend to achieve Climate Active carbon neutrality certification for our Australian FY21 emissions.

Supporting the low carbon economy

In February 2020, we released our Green, Social and Sustainability Funding Framework outlining the governance and asset eligibility criteria for Sustainable Funding Instruments issued by CBA. This framework provides the guidelines to support capital deployment toward new sustainable products, services and business models.

In the 2017 financial year we set a Low Carbon Target to make $15 billion of funding available to Low Carbon Projects by 2025. Eligible projects include renewable energy, 6-star rated commercial green buildings, energy efficiency projects and low carbon transport.

Metric	Target	FY19	FY20	Progress
Emissions per FTE	2.0tCO_2-e/FTE by 2020	2.1tCO_2-e/FTE	1.9tCO_2-e/FTE	
RE100 – renewable energy (Australia)	Sourcing 100% renewable energy by 2030	65%	100% (1 Jan 2020)	
Low Carbon Target	$15 billion by 2025	$5.13 billion committed exposure	$5.37 billion committed exposure	
Assessed emissions in our business lending portfolio	Net zero by 2050	0.26kgCO_2-e/$ of expenditure (2018 financial year)	0.26kgCO_2-e/$ of expenditure (2019 financial year)	

Key: Complete Commenced

Sustainability performance overview

To achieve our objective of balanced and sustainable outcomes, we set targets for, measure and report a range of material customer, environmental, social and governance metrics.[1]

Women in leadership

in Executive Manager and above roles by 2025

41.2%

Target	New target
40%	**47–50%**
by 2020	by 2025

Low carbon funding[3]

$5.4bn

Target
$15bn
by 2025

Greenhouse gas emissions

1.9tCO2-e
per FTE

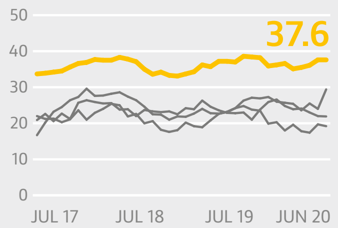
Target
2.0tCO2-e
per FTE by 2020

Mobile app NPS[2]

▲ 0.4 on FY19

Target: #1 in mobile app NPS

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



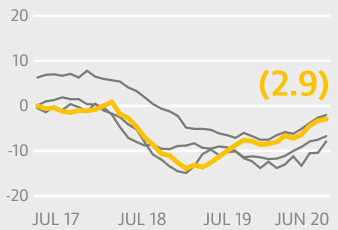
Key CBA — Peers

Customer NPS[4]

▲ 7.1 on FY19

Target: #1 in consumer NPS

By focusing on delivering better customer outcomes we have seen a seven point improvement in the last 12 months.



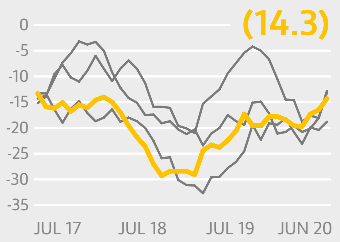
Key CBA — Peers

Business NPS[5]

▲ 8.1 on FY19

Target: #1 in business NPS

We are narrowing the gap in business NPS, gaining eight points in the last 12 months.



Key CBA — Peers

1 All metrics capture data of the wholly owned and operated entities of the Group, associates and joint ventures unless otherwise stated.
2 Roy Morgan Research Mobile app Net Promoter Score. See *Glossary* on pages 294–300 for details.
3 For definition see *Glossary* on pages 294–300.
4 DBM Consumer Net Promoter Score. See *Glossary* on pages 294–300 for details.
5 DBM Business Net Promoter Score. See *Glossary* on pages 294–300 for details.

Limited assurance report

PwC has provided limited assurance on these metrics (pages 47–52), for the year ended 30 June 2020, unless otherwise indicated.

The PwC Limited Assurance Report is provided on pages 53–54.

Customer metrics

We aim to deliver the best products, service and outcomes for our customers. We believe Net Promoter Score is a good overall measure of our customers' experience with us, as it subtracts our detractors from our promoters. We do not always get things right so we also measure how many complaints our Group Customer Relations team resolves. In addition, our Customer Advocate is an independent voice for customers within the Bank, and if customers are not happy with how we have resolved an issue, they can choose to have the Customer Advocate investigate and make a determination that is binding on the Bank.

Customer advocacy[1]	#	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Commonwealth Bank – Net Promoter Score						
Consumer NPS[2,3]		**(2.9)**	(10.0)	(2.7)	(0.3)	(0.7)
– Rank		**2nd**	3rd	2nd	3rd	3rd
Business NPS[2]		**(14.3)**	(22.4)	(19.6)	(13.1)	(13.0)
– Rank		**3rd**	3rd	4th	1st	3rd
Internet banking NPS[4]		**31.1**	30.9	31.3	–	–
– Rank		**1st**	1st	1st	–	–
Mobile app NPS[4]		**37.6**	37.2	37.8	–	–
– Rank		**1st**	1st	1st	–	–
Bankwest – Net Promoter Score[3]						
Consumer NPS		**(4.6)**	(11.4)	–	–	–
– Rank		**5th**	5th	–	–	–
Business NPS		**(0.2)**	0.9	–	–	–
– Rank		**3rd**	3rd	–	–	–
ASB – Net Promoter Score						
Retail banking[5]		**32.0**	–	–	–	–
– Rank		**3rd**	–	–	–	–
Business and rural banking[6]		**4.2**	–	–	–	–
– Rank		**1st**	–	–	–	–

Customer complaints	#	30 Jun 20	30 Jun 19	30 Jun 18
Resolved[7]		**45,324**	40,588	33,530
Escalated to an external dispute resolution (EDR) scheme[8]		**5,480**	4,695	–
– Privacy complaints		**22**	22	22

Customer Advocate		30 Jun 20
Complaints reviewed by the Office of the Customer Advocate	#	**1,035**
Average business days to review complaint	days	**14**
Outcomes from review process:		
– Upheld bank decision	%	**54**
– Upheld bank decision, enhanced outcome for customer	%	**35**
– New decision	%	**11**

1 Customer advocacy metrics have not been assured by PwC as they are sourced from independent third-party providers.
2 Net Promoter Score (NPS) metrics are provided by DBM Consumer Atlas.
3 NPS methodology and service provider changed to DBM Consumer Atlas in 2019.
4 NPS metrics are provided by Roy Morgan Research. Not available prior to FY18.
5 NPS methodology and service provider changed to Retail Market Monitor in 2019. The results prior to FY20 are not comparable.
6 NPS methodology and service provider changed to Business Finance Monitor in 2019. The results prior to FY20 are not comparable.
7 Complaints based on ASIC RG165 guidance. Methodology revised in FY20 to consider only those complaints resolved after five business days, and FY19 and FY18 have been restated. FY20 complaints increased due to the CEO writing to customers and inviting feedback, a technology outage in October 2019 as well as hardship complaints due to COVID-19.
8 FY19 number restated to exclude complaints that have not been through the Group's internal dispute resolution process, based on the percentage of complaints in FY20. Excludes Bankwest complaints.

Environmental metrics

We manage our operations to ensure we minimise our carbon footprint, use resources efficiently and minimise costs associated with those resources. We report the Scope 1 and 2 (direct) and Scope 3 (indirect) carbon emissions for our operations in Australia, New Zealand and other overseas locations. We are also committed to supporting the transition to a low carbon economy and report our progress against our target to fund $15 billion of low carbon projects by 2025.

Low carbon transition		30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Low carbon funding[1]	$m	**5,374**	5,134	4,575	–	–
– Renewable energy lending exposure[1]	$m	**4,225**	3,644	3,716	2,800	2,200
Business lending emissions intensity[2]	$kgCO_2$-e/AUD	**N/A**	0.26	0.26	0.28	0.29
Climate bond arrangement[3]	$m	**9,490**	1,845	2,014	1,018	50

Greenhouse gas emissions	tCO_2-e	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Group						
Scope 1 emissions[4,5]		**10,840**	7,624	8,740	9,694	9,063
Scope 2 emissions[5]		**103,528**	78,757	87,277	96,595	107,762
Scope 3 emissions[5,6]		**47,151**	99,580[7]	85,754	91,150	93,622
Total		**161,519**	185,961[7]	181,771	197,439	210,447
Scope 1 and 2 per FTE[8]		**1.8**	1.9	2.1	2.3	2.6
Australia						
Scope 1 emissions[5]		**8,306**	6,983	7,257	7,411	7,682
Scope 2 emissions[5]		**96,262**	71,128	76,866	83,723	94,255
Scope 3 emissions[5,6]		**43,341**	88,282	72,430	77,553	78,961
Total		**147,909**	166,393	156,553	168,687	180,898
Scope 1 and 2 per FTE[8]		**1.9**	2.1	2.3	2.6	2.9
New Zealand						
Scope 1 emissions[4]		**2,046**	82	733	1,348	436
Scope 2 emissions		**1,614**	1,938	2,462	2,661	3,213
Scope 3 emissions		**1,266**	4,259	5,834	3,813	4,950
Total		**4,926**	6,279	9,029	7,822	8,599
Other overseas						
Scope 1 emissions		**488**	559	750	935	945
Scope 2 emissions		**5,652**	5,690	7,949	10,211	10,294
Scope 3 emissions		**2,544**	7,039	7,490	9,784	9,711
Total		**8,684**	13,288	16,189	20,930	20,950

1 Prior year numbers have not been assured.
2 See commbank.com.au/CRreporting for methodology. Current period data is not available as the methodology relies on published client-specific data which is time delayed. Not assured by PwC. EY has provided limited assurance on the pool of assets backing the Green Liabilities in August 2020.
3 Not assured by PwC. Includes the full value of the transactions where CBA has acted as an Involved Party. FY20 number has increased due to higher demand for green bonds.
4 New Zealand operations has reclassified a proportion of their leased fleet fuel usage from Scope 3 emissions to Scope 1 emissions.
5 In FY20, CBA assumed operational control of two data centres. Emissions from these locations have been reclassified from Scope 3 to Scope 1 or 2 emissions, depending on source.
6 FY20 Scope 3 emissions exclude emissions from waste to landfill. From FY19, Scope 3 emissions include emissions from base buildings and paper use.
7 Restated due to summation error in FY19 Scope 3 emissions.
8 Emissions intensity calculations for FY20 exclude the reclassified Scope 2 emissions from the two data centres now under operational control.

Operations – Australia	tCO_2-e	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Greenhouse gas emissions						
Scope 1: Natural gas and diesel stationary[1]		**1,124**	357	389	541	663
Scope 1: Transport		**7,182**	6,626	6,868	6,870	7,019
Scope 2: Purchased electricity: property portfolio[1]		**62,443**	71,128	76,866	83,723	94,255
Scope 2: Purchased electricity: data centres[1]		**33,819**				
Scope 3: Purchased electricity: data centres[1]		**1,475**	38,182	39,647	44,052	41,261
Scope 3: Natural gas and diesel stationary		**202**	73	79	116	133
Scope 3: Transport[2]		**10,581**	20,531	21,349	21,576	23,451
Scope 3: Hotel accommodation[3]		**2,191**				
Scope 3: Transmission and distribution losses		**10,572**	8,272	10,021	10,503	12,453
Scope 3: Office paper use[4]		**204**	30	–	–	–
Scope 3: Base building		**18,116**	19,793	–	–	–

Energy – Australia	gigajoules	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Fuels – natural gas, diesel and transport		**127,827**	112,675	112,671	129,671	142,418
Purchased electricity – property portfolio		**281,356**	313,065	339,270	365,617	399,781
– Renewable energy via power purchase agreement or retail contracts[3]		**279,932**	–	–	–	–
Electricity generated from on-site solar panels[3]		**6,106**	–	–	–	–
Purchased electricity – data centre electricity		**157,578**	168,620	173,281	189,456	174,796
Total energy consumption		**572,867**	594,360	625,222	684,744	716,995

Water and paper – Australia		30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Water[5]	kilolitres	**177,047**	216,102	172,134	171,477	114,608
Office paper usage (A3 and A4)	tonnes	**483**	570	629	750	–

1 In FY20, CBA assumed operational control of two data centres. Emissions from these locations have been reclassified from Scope 3 to Scope 1 or 2 emissions, depending on source.
2 Emissions reduced due to travel restrictions as a result of COVID-19.
3 Reported for first time in FY20.
4 Paper use emissions increased as a new supplier of office products also includes non-carbon neutral paper in their range.
5 FY20 and FY19 commercial water use includes both new commercial buildings and old commercial buildings that have not been vacated.

Social – our people metrics

Employees are the Bank's most important asset and having an engaged, well-trained and accountable workforce is essential to the delivery of the Bank's strategy and delivers tangible benefits for our customers, shareholders and the communities we operate in. Flexible working practices help our people balance their goals and commitments and support a performance culture. Diversity and inclusion are an integral part of the Bank's culture, values and the way we do business.

Employees[1]		30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Total full-time equivalent (FTE)	#	**43,585**	45,165	45,753	45,614	45,129
– Australia		**36,330**	37,137	36,446	35,701	35,273
– New Zealand		**5,122**	5,038	5,538	5,409	5,518
– Other		**2,133**	2,990	3,769	4,504	4,338
Graduates		**153**	183	188	149	119
Headcount	#	**48,167**	50,482	51,371	51,779	51,120
Employee turnover – voluntary	%	**10.1**	11.3	11.8	10.1	11.3
Employee turnover – involuntary	%	**4.2**	4.0	4.2	–	–
Employment type (headcount)[2]	#					
Full-time		**32,178**	33,125	–	–	–
Part-time		**7,565**	7,900	–	–	–
Casual		**399**	438	–	–	–
Safety and wellbeing						
Lost Time Injury Frequency Rate[3]	rate	**0.9**	1.6	1.4	1.6	1.6
Absenteeism	days	**7.8**	7.2	6.0	5.9	6.0
Health, safety and wellbeing training[4]	#	**49,385**	49,977	–	–	–

Employee engagement and flexible working[5]	%	Apr 20	Oct 19	Apr 19	Apr 18	Apr 17	Apr 16
Employee engagement index – CBA[6]		**81**	72	68	72	78	77
Employees working flexibly		**–**	66.0	73.9	73.7	69.4	43.4
Employees with caring responsibilities		**–**	47.5	50.7	53.0	–	–

	%	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Employees working part-time or job-sharing		**19.0**	19.5	19.7	19.4	19.8

Parental leave	#	30 Jun 20	30 Jun 19
Female employees who have accessed parental leave		**1,433**	1,479
Male employees who have accessed parental leave		**913**	917
Employees who have returned to work and are still employed after 12 months[7]		**1,825**	–

1 Includes discontinued operations.
2 Excludes fixed term contractors and contingent workers.
3 Prior year numbers have been restated due to claims received after year-end reporting date.
4 FY19 number has been restated. The health, safety and wellbeing training number is higher than FTE as the training is assigned annually and to new employees.
5 Sourced from the Group's people and culture survey. Survey provider changed in FY20 to Qualitrics. Due to COVID-19 not all metrics were surveyed in April 2020.
6 Employee engagement showed a significant improvement due to the Bank's support of customers, people and communities during COVID-19.
7 Reported for first time in FY20.

Employee training	hrs	30 Jun 20 Female	30 Jun 20 Male	30 Jun 20 Total	30 Jun 19 Female	30 Jun 19 Male	30 Jun 19 Total
Executive Managers and above roles		**29,023**	**41,060**	**70,083**	40,795	61,054	101,849
Others		**856,919**	**649,055**	**1,505,974**	795,978	577,415	1,373,393
Total		**885,942**	**690,115**	**1,576,057**	836,773	638,469	1,475,242
Per employee							
Executive Managers and above roles		**21.3**	**19.9**	**20.5**	31.6	29.7	30.4
Others		**29.1**	**25.6**	**27.5**	27.2	22.3	24.9
Average per employee		**28.8**	**25.2**	**27.1**	27.4	22.8	25.2

	#	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
ESG training[1]		**1,560**	4,043	3,577	2,768	1,786

Gender diversity	%	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Women in workforce		**56.9**	57.2	57.4	57.8	58.0
Women in Manager and above roles		**45.0**	45.0	44.6	44.4	43.6
Women in Executive Manager and above roles		**41.2**	39.1	37.6	36.7	35.2
Women in Senior Leadership (Group Executives)		**27.3**	22.2	20.0	–	–

Gender pay equity (female to male base salary)[2]	ratio	31 Mar 20	31 Mar 19	31 Mar 18	31 Mar 17
Executive General Manager		**0.90**	0.95	0.94	0.95
General Manager		**1.00**	0.97	0.99	1.00
Executive Manager		**0.98**	1.00	0.98	0.99
Manager/Professional		**0.98**	0.98	0.98	0.98
Team Member		**1.00**	1.00	1.00	1.00

Age diversity	%	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
<25 years		**7.9**	7.4	7.3	8.1	8.3
25–34 years		**30.8**	31.4	33.2	34.8	35.9
35–44 years		**31.9**	31.8	31.0	29.7	29.5
45–54 years		**19.6**	19.9	19.5	18.9	18.5
55–64 years		**8.6**	8.4	8.0	7.6	7.2
65+ years		**1.0**	0.9	0.8	0.6	0.6

Other diversity dimension[3]	%	Oct 19	Apr 19	Apr 18	Apr 17	2016
CBA Indigenous workforce (ancestry)[4]		**1.5**	0.9	1.0	0.8	–
2016 Australian Census (Aboriginal or Torres Strait Islander)		**–**	–	–	–	*2.8*
Employees who identify as having a disability		**8.7**	10.5	11.9	–	–
Employees who identify as LGBTI		**3.3**	3.4	3.4	–	–

Cultural diversity based on ancestry (Oct 2019)[3]	Cultural Diversity Index #	Australia, NZ, British, Irish %	Europe %	Asia %	Africa, Middle East %	Americas %	Indigenous, Pacific Islanders %
CBA overall	0.72	57.37	11.04	23.87	3.42	1.39	2.91
General Manager and above	0.49	75.38	12.16	6.38	2.74	2.43	0.91
Executive Manager and above	0.57	70.59	13.78	9.52	3.06	1.97	1.09
2016 Australian Census (ancestry)	0.59	69	12	14	4	1	1

1 FY19 number restated due to incorrect capture of training modules. FY20 number has decreased due to postponement of training as a result of COVID-19.
2 Methodology changed in FY20, to improve representation of management levels. Reported values exclude employees seconded to their role at the time of reporting. All prior year numbers have been restated.
3 Sourced from the Group's people and culture survey. Survey provider changed in FY20 to Qualitrics. Due to COVID-19 not all metrics were surveyed in April 2020.
4 Metric can be volatile due to small sample size.

Social – community metrics

We contribute to our communities through community investment and financial education. We also provide support for Indigenous communities in keeping with our purpose of improving the financial wellbeing of customers and communities.

		30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Community investment	$m					
Total community investment[1,2]		**332.3**	288.4	290.0	266.0	262.6
– Cash contributions[2]		**57.5**	41.6	55.5	37.2	37.8
– Time volunteering[3]		**0.7**	1.1	1.1	1.2	1.4
– Forgone revenue[1]		**261.4**	231.5	220.3	215.9	211.8
– Program implementation costs		**12.7**	14.2	13.2	11.7	11.6
Community investment as a percentage of pre-tax profit[4]	%	**3.2**	2.4	2.2	2.0	2.0
Financial literacy programs	#					
School banking students (active)[3]		**174,997**	244,636	299,074	321,389	325,797
Start Smart students (booked)[3,5]		**377,214**	427,527	568,649	574,246	557,475
Indigenous community support						
Indigenous Customer Assistance Line (calls received)	#	**206,436**	202,444	180,225	168,218	170,789
Australian Indigenous supplier spend – first tier	$'000	**4,395**	2,959	–	–	–

Governance metrics

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

		30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Board composition[6]	#					
Total Directors		**9**	10	10	10	12
– Female		**5**	5	4	4	4
– Male		**4**	5	6	6	8
Independent Directors		**8**	9	9	9	11
Female Directors on Board	%	**56**	50	40	40	33
Group compliance training[7]	%					
Training completion rate – Code of Conduct		**92.7**	96.7	99.4	97.6	–
Training completion rate – mandatory learning		**96.4**	93.6	94.4	96.9	–
Conduct and whistleblowing	#					
Substantiated misconduct cases		**1,851**	1,869	1,259	1,022	–
Misconduct cases resulting in termination		**136**	187	–	–	–
SpeakUP Program cases		**284**	311	143	171	–
– Whistleblower cases[8]		**103**	30	33	44	–

1 Forgone revenue methodology has changed in FY20. The FY19 number has been restated. Increase in FY20 is mainly due to expanding the age eligibility for fee waivers on Smart & Complete accounts in October 2019, increase in Streamline accounts and pricing changes to transaction fees in November 2019.
2 The FY20 increase is mainly due to the launch of the Next Chapter program to address domestic and financial abuse, and donations for bushfire and drought relief.
3 FY20 metrics impacted by COVID-19.
4 Cash net profit from continuing operations before tax.
5 Start Smart program for vocational students ceased in FY19.
6 As numbers are actuals, no assurance by PwC is provided.
7 The training completion rates are not 100% as allocated training may be scheduled for completion after 30 June or training may be overdue. There are remuneration consequences for employees who do not meet their training obligations.
8 The FY20 increase in whistleblower cases is in part attributable to an expanded definition of an Eligible Person and Reportable Conduct as per changes to the Corporations Act applicable from 1 July 2019.

Independent assurance report on sustainability performance metrics

For the year ended 30 June 2020

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

Scope

In accordance with the terms of our engagement letter dated 18 May 2020, we were engaged by Commonwealth Bank of Australia and its subsidiaries (the Group) to perform an independent limited assurance engagement in respect of the Non-financial Performance metrics (Customer, Environmental, Social and Governance metrics) (the Performance Metrics) for the Group for the year ended 30 June 2020 (the Period), presented on pages 47 to 52 of the 2020 Annual Report. The definitions (the Criteria) against which we assessed the Performance Metrics are established by management and are presented on pages 294 to 300 of the 2020 Annual Report.

Management's responsibilities

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

Our Independence and Quality control

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

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

Our responsibilities

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

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

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

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

Use of report

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

Inherent limitations

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

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Performance Metrics have not been prepared, in all material respects, in accordance with the Criteria for the year ended 30 June 2020.

PricewaterhouseCoopers

PricewaterhouseCoopers

M Lunn

Matthew Lunn
Partner

Sydney
12 August 2020

Managing our changing risk landscape

The external operating environment altered materially this year, resulting in rapid and dynamic changes to the risk landscape. The recent strengthening of our risk framework has positioned the Bank well to respond to these risks and support our customers and the community.

In recent years, banks have been adapting to a range of new and evolving risks such as uncertain macroeconomic conditions, the advancement of new technologies and competitors, and increasing societal and regulatory expectations.

Events of the last year have introduced new risks or altered existing risks:

COVID-19 impacts – uncertainty exists regarding the duration and severity of COVID-19 impacts and the associated disruption to the domestic and global economy. While there has been significant government support and stimulus, we expect challenging economic conditions ahead. In the longer term we anticipate increased credit losses from business insolvencies, higher consumer defaults due to unemployment and slower overall growth.

Global tensions – geopolitical issues and trade disputes are creating uncertainty for Australian and global businesses, which could further exacerbate economic conditions and increase cyber and privacy risks.

Increase in financial crime – the availability of financial support packages creates new opportunities for financial criminals to exploit the larger number of vulnerable people and businesses.

Climate change risk – this year's bushfires and floods have highlighted the physical impacts of climate change and the increased frequency and severity of extreme weather events.

Increased regulatory scrutiny – the Bank and its operations are subject to heightened regulatory scrutiny and requirements as well as potential regulatory and legal action.

The Board and Management of the Bank understand the importance of good risk management to the financial wellbeing of our customers, shareholders, the community and the broader economy.

We therefore remain focused on improving the Bank's risk management discipline. This focus in recent years, including on business continuity planning, has equipped our teams to exercise sound judgement and mobilise rapidly to support customers through the challenges of the bushfires, drought and the COVID-19 pandemic.

Our historically sound credit risk management practices and resilient systems have also enabled the Bank to offer a range of relief measures to support individuals and businesses. Positive customer feedback has reinforced that the investment and efforts being made to improve the Bank's risk culture are driving meaningful change.

Responding to COVID-19 risks

The COVID-19 pandemic rapidly introduced an array of new and elevated risks to the safety of our people, the resilience of our operations, the strength of our balance sheet and the financial security of our customers and the community. Action has been required to address these risks, particularly in the following areas:

Employee health and safety

The increased risk to the safety and welfare of our workforce has been of paramount concern during the COVID-19 pandemic. The measures introduced to support and protect our people, and to ensure they are equipped with the information and resources they need, are outlined in *Commitment to our people* and *Board priorities during 2020* on pages 34–35 and 63, respectively.

Customer welfare

The long term prosperity of the Bank ultimately depends on the financial wellbeing of our customers. The prolonged closure of businesses, particularly in the service industry, combined with the impact of restrictions on regional and international travel, has threatened the livelihoods of millions of Australians. We have been committed to supporting our customers during this time, while still focusing on maintaining responsible credit risk decisions. The assistance and relief measures we are providing are outlined in *Supporting our customers* on pages 30–31.

Operational resilience

During the initial stages of COVID-19, the Bank had to respond quickly to changing circumstances. This increased the risk of introducing operational vulnerabilities into our processes, and created general uncertainty over the stability of global supply chains and the potential impact on third-party suppliers. The shift to remote working also added a level of disruption to our operations, and increased our cyber, privacy and conduct risk profiles.

During this time, our focus was on protecting the stability of the Bank's critical operations and supporting our customers. To ensure there was no disruption of services to customers, we initiated a temporary technology production change freeze.

We also implemented infrastructure changes to increase the reliability and speed of remote working operations for critical functions, and increased our oversight of critical suppliers. To enable our teams to prioritise customer support, we slowed certain non-essential projects – excluding those with regulatory commitments – and temporarily moderated risk framework requirements for lower risk activities. We also hired new employees and redeployed almost 500 team members to service increased customer queries and hardship requests.

Financial strength

Notwithstanding the range of relief measures made available to businesses and individuals, the depth and severity of COVID-19 related impacts on the economy are uncertain.

In anticipation of the potential impact on our customers, we have increased our forward-looking loan loss provisions. These have been determined based on a range of plausible economic and industry stress factors, and take into account the mitigating impacts of Government and industry assistance packages and support, including loan repayment deferral arrangements. We continue to monitor our lending portfolios closely, with stress testing forming the basis for ongoing re-assessments of provisioning levels as the situation evolves.

Cyber risk

There has been a global increase in cyber crime during COVID-19 as cyber criminals seek to gain financially from people's vulnerability, or exploit potential weaknesses introduced through rapid operational changes implemented by businesses. Through our cyber security program, we continue to enhance the Bank's cyber defences and have focused on educating staff and customers on the dangers of cyber crime activities.

Financial crime

Social distancing restrictions during the height of the pandemic made complying with customer verification obligations under the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) regime difficult where customers are required to present in person at a branch. Special relief was provided by AUSTRAC to allow alternative verification procedures in these situations, such as video calls.

The significant number of financial support packages made available to millions of Australians whose employment has been impacted by COVID-19 has increased the opportunity for those seeking to commit financial crimes. This new risk has been factored into our financial crime detection processes and staff financial crime compliance education and awareness programs.

Managing market volatility

In early March, global markets experienced extreme volatility, mainly due to COVID-19 and the oil price shock. In response, the Board approved a temporary three-month increase in the Market Risk intervention levels outlined in the Group Risk Appetite Statement.

Volatility is expected to continue in the current environment, requiring ongoing close monitoring by management.

Ongoing monitoring

The COVID-19 situation continues to evolve both locally and globally and will likely present new challenges and risks in the short to medium term. The Board and Management continue to actively monitor the situation and adapt our response as required to maintain our financial strength and ensure our customers and the community are supported through these challenging times.

Our risk framework

Overview

The diagram below outlines the Risk Management Framework – including risk governance structures – for managing the Group's Material Risk Types. It incorporates the requirements of APRA's prudential standard for risk management (CPS 220). Integral to our approach to managing risk is:

- The **Group Risk Appetite Statement** that 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 Strategy** that articulates the Group's approach to the implementation of its strategic objectives.

The framework is delivered through governance and reporting processes, risk policies and procedures, risk infrastructure (risk systems, tools and processes), and people with the risk skills and capabilities appropriate to managing the varying risk types.

The specific risks we manage within each of our Material Risk Types will be either existing risks or forward-looking emerging risks that require action now to minimise their impacts in the future.

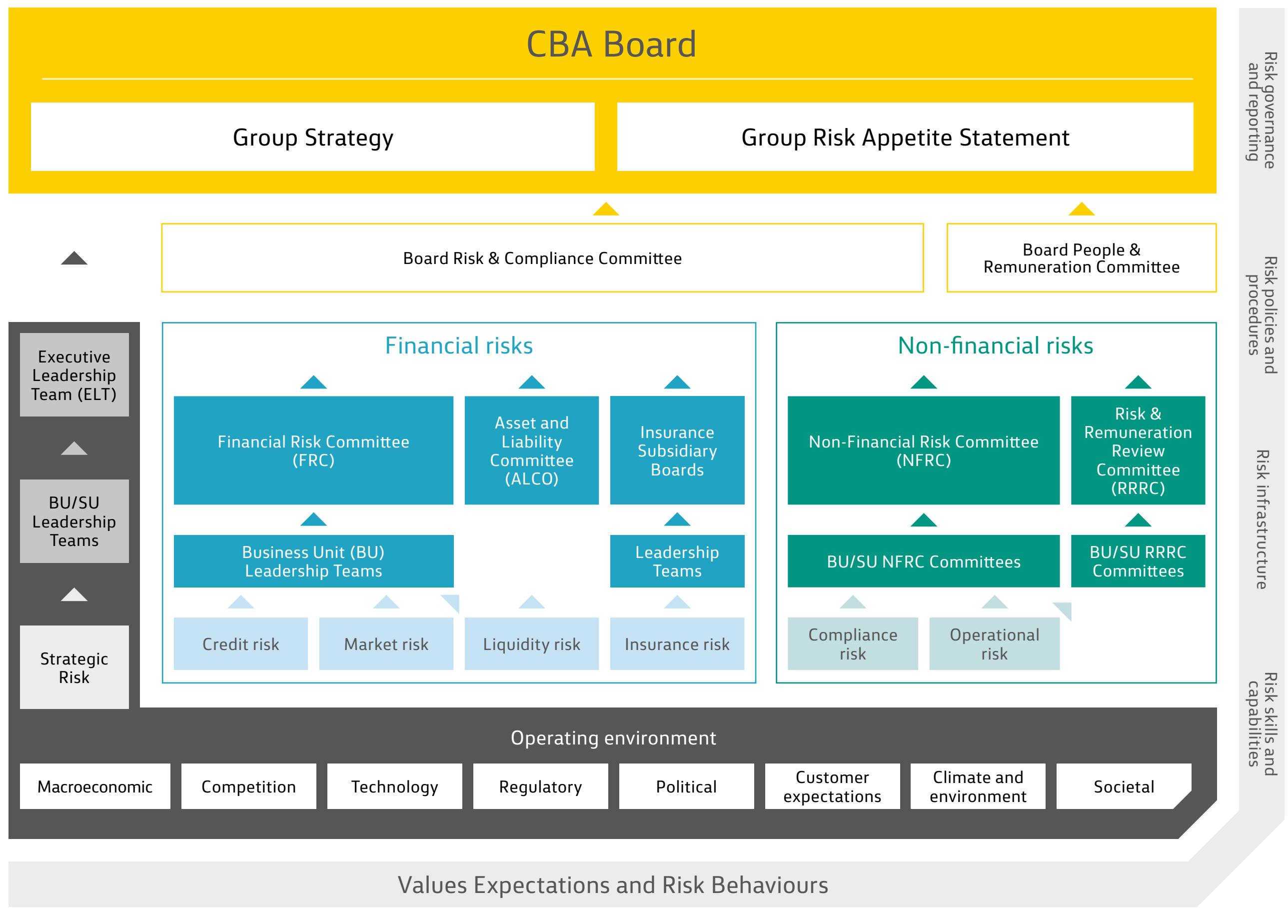
Strengthening our risk framework

We have developed and improved the Bank's Risk Management Framework to ensure it is robust and fit-for-purpose. This means evolving our risk management practices for better risk and compliance outcomes, and to take account of changes in the Bank's operating context. This includes heightened regulatory change and shifting consumer preferences – two trends that are likely to continue into the foreseeable future. Significant investment is underway in a number of areas, including:

- Our comprehensive Remedial Action Plan to strengthen the Bank's operational and compliance risk framework is in its third year, after the 2018 APRA Prudential Inquiry exposed a lack of maturity in the Bank's non-financial risk management practices. Progress has been made on enhancing our risk governance and business ownership of risk outcomes, elevating the status of the Risk Management function within the organisation, and investing in risk systems for improved analytics, reporting and better decision making.
- Strengthening our financial crime policies, standards and controls, improving our Know Your Customer operational practices and embedding a new Anti-Bribery & Corruption (AB&C) framework.
- Implementing data quality initiatives to improve the structure and quality of data to support reporting and decision making.
- A cyber security program to enhance the Bank's cyber defences against a continually increasing threat environment.
- A data centre and network modernisation program, which is improving the security and resilience of our technology infrastructure.
- Initiatives to improve the quality and automation of data used in non-retail credit risk reporting and portfolio management.

Underpinning each of these initiatives is the Bank's strategic imperative of becoming simpler and better. These initiatives are being managed through strong governance and accountability structures and by setting clear priorities for business areas.

For further details on our Risk Management Framework refer to Note 9 on page 201 in the *Financial report*.



Our current risk priorities

This section describes the specific risks within our material risk types where the Board and the Executive Leadership Team are focusing their efforts. It includes a mix of existing and emerging risks that could materially impact our ability to serve our customers or deliver our strategy.

Macroeconomic environment

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

The COVID-19 pandemic has resulted in prolonged closures of businesses, predominantly in service industries. We expect challenging economic conditions ahead. In the longer term we anticipate increased credit losses from business insolvencies, and higher consumer defaults due to unemployment.

Credit growth has slowed and house prices may decline due to increasing unemployment and a sharp fall in immigration rates.

Uncertainty exists regarding the duration and severity of COVID-19 impacts and the associated disruption to the local and global economy.

Geopolitical tensions and trade disputes are creating uncertainty for businesses, which could further exacerbate economic conditions.

Key actions we are taking

- The Bank has the backing of a strong balance sheet with strong deposit funding, significant excess liquidity and unquestionably strong capital.
- We undertake regular stress tests to understand how our business performs and to prepare alternative action plans for a range of economic scenarios.
- We will continue to support our customers whilst adhering to, and if necessary, revising credit policies, procedures and tools to support responsible credit decisions in this new environment.
- We have increased our loan loss provisions in anticipation of the potential impact of COVID-19 on our customers, and continue to monitor our lending portfolios closely, with detailed stress testing forming the basis for ongoing re-assessments of provisioning levels.
- Investment is underway to enhance the systems and data necessary for credit reporting and portfolio management, particularly in the non-retail parts of our business.
- We regularly discuss the macroeconomic challenges with both regulators and government.

Cyber security and data management

The Bank manages a large volume of sensitive data. The regulatory landscape is increasingly focused on the privacy, integrity and appropriate management of data throughout its lifecycle. Data governance tools, standards and procedures to meet these expectations are currently not consistently embedded across the Group.

Information security risks for the Group have increased in recent years due to the evolution and development of new technologies, the Group's increasing use of digital channels, and the increased sophistication and broadened activities of cyber criminals.

Cyber attacks have the potential to cause financial system instability. A successful cyber attack could result in a serious disruption to customer banking services or compromise customer data privacy.

Currently, cyber criminals are also motivated to exploit potential or perceived weaknesses introduced through rapid operational changes implemented in this environment.

Key actions we are taking

- A cyber security program is in place to enhance the Bank's cyber defences against a continually increasing threat environment. This includes focus on enhanced detection and monitoring infrastructure, as well as security configuration and vulnerability management capabilities.
- We also collaborate with a range of government, community and industry bodies to strengthen system-level resilience and to reduce the possibility of cyber attacks and the impact of fraud and scams on the community.
- Our data management program of work is focused on strengthening our Data Management Framework across the Group. This involves enhancing our methodology, architecture, tools, standards and procedures across all business areas, to ensure the quality and integrity of data throughout its lifecycle. As part of this work, we are prioritising the data management practices for the most critical data elements across the Group.
- The Bank has a privacy strategy to enhance our data privacy processes, capabilities and awareness to ensure compliance in all jurisdictions where we have a presence.

Financial crime

Banks have a critical role to play in combating financial crime and protecting the integrity of the financial system. Not detecting or preventing financial crimes can have a significant impact on our customers and the community and can result in material fines and penalties for the Bank.

The Bank's Program of Action continues to address the underlying causes of the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Act failings that resulted in AUSTRAC commencing enforcement action against the Bank in 2017.

There is currently a higher risk of financial crime because of increased opportunities through the number of financial support packages available, combined with an increase in the number of vulnerable people and businesses.

Key actions we are taking

- Improvements being made through our multi-year Program of Action include:
  - Enhanced financial crime policies and procedures.
  - Investment in new technology, including enhanced transaction monitoring systems and processes, aimed at the detection of financial crime.
  - Establishing mechanisms and processes to improve customer data integrity through core systems.
  - Revision of our Anti-Bribery & Corruption (AB&C) Policy and Standard, development of new tools, and implementation of a Group AB&C control framework.
  - A significant increase in specialised Financial Crime Compliance team members and enhanced financial crime compliance education and training for staff aimed at deterring and detecting financial crime.
  - A high level of engagement with the Fintel Alliance.
  - Constructive engagement with AUSTRAC and international regulators.
- Given the links between human trafficking and financial crime, we continue to strengthen our supply chain due diligence by embedding new modern slavery requirements into procurement policies, processes and capabilities.
- We also collaborate with not-for-profit organisations that work with the private sector to detect and end modern slavery, including the Mekong Club.

Digital disruption

Emerging technologies and regulatory changes such as Open Banking and Comprehensive Credit Reporting are making it easier for neobanks, fintechs and technology companies to compete directly in banking.

The emergence of new technologies, like Artificial Intelligence (AI), is driving the digitisation and automation of processes and requires a different set of skills that may be difficult for the Bank to attract and retain.

The adoption of AI can be a differentiator. However, if poorly implemented or managed in areas such as lending decisions, the use of AI could create data privacy concerns or deliver incorrect results with potentially poor financial, regulatory, conduct or reputational outcomes.

Key actions we are taking

- Being 'Best in digital' is a key pillar of the Bank's strategy. We continue to invest to deliver the best digital banking experiences for our customers through new digital services, market-leading technology, seamless service across channels and data driven insights.
- We have invested in digital infrastructure and assets over many years to achieve a leadership position in digital banking. Most recently, this includes our Customer Engagement Engine which uses AI and machine learning to drive personalised and innovative services for customers.
- Our mobile banking app and internet banking platform both consistently score highest among major bank peers for Net Promoter Score and in independent surveys.
- We are investing in digital businesses that add to our core product offering and extend our 'Best in digital' leadership. This includes the launch of our x15ventures incubator which is working with innovators to identify, fund and build new digital banking businesses.
- We are modernising and simplifying our systems and digitising our end-to-end processes to reduce risk and cost and to improve system availability and resilience.
- We have developed tools and guidelines for the safe and fair use of AI across our business. We are also actively engaged in the development of national and international standards regarding the safe and fair use of AI.
- We monitor emerging technologies and research and test the adoption of new, innovative capabilities to maintain our technology leadership.

Business resilience

The continuity and resilience of our operations are crucial for serving our customers, upholding community trust, and maintaining our reputation. The extended outage of the Bank's payments platform in October 2019 highlighted the impact such disruptions can have on customers and the community.

The risk of potential disruption to parts of our operations is currently elevated due to: the possibility that COVID-19 clusters could impact the safety of employees, disrupt operations and reduce productivity; uncertainty over the stability of global supply chains and the impact on third-party suppliers; and natural disasters such as bushfires and floods.

Key actions we are taking

- The safety and welfare of our employees is of paramount importance. To manage risks from COVID-19, physical distancing measures have been implemented at branches to protect staff and customers, and we have implemented a range of measures to provide our non-branch team members with the necessary tools and skills to maximise productivity in a remote working environment.
- We monitor the health of our systems and perform contingency planning for disruptions to critical systems and processes.
- A data centre and network modernisation program is improving the security and resilience of our technology infrastructure.
- We are driving greater agility and alignment in our supplier partnerships to ensure we effectively mitigate risks across the supply chain.
- Our supplier initiatives are driving greater consistency and rigour over supplier governance and performance monitoring, especially over partners supporting critical systems, or the infrastructure on which those systems rely.

Skills and capabilities

Our people are critical to the success of our strategy and an inability to attract or retain the right talent and capabilities could prevent us from delivering our long-term goals.

The progression of new technologies, changing macroeconomic conditions, and increasing regulatory expectations, increases the need for leaders with new and different skill sets, as well as deep banking expertise, to deliver the performance expected by our stakeholders.

These skills may become more difficult to attract and retain, particularly with the emergence of non-traditional technology competitors who aim to compete directly in banking.

Key actions we are taking

- We continue to invest in our value proposition as an employer through:
  - Offering flexible working models, competitive benefits, wellbeing programs and fostering an inclusive and diverse workforce.
  - Leadership initiatives to develop the capabilities of our leaders and to equip them with the skills and approaches required to lead cultural and behavioural change throughout the organisation.
  - Strengthening our culture and remuneration frameworks to ensure employees are clear on expectations and accountabilities, always do what is right, are empowered to address issues, and demonstrate risk behaviours that lead to appropriate outcomes for all stakeholders.
- We have targeted training programs to develop our people, including senior management, and our talent and career approach seeks to attract and retain high-calibre people by providing career opportunities that recognise people's expertise, potential and aspiration.
- We are piloting opportunities to re-skill and support our people to be ready for the workforce of the future, and are engaging with educators, government and the community to build these changes into our long-term workforce plan and capability roadmaps.
- We continue to review the Bank's remuneration framework to ensure that it supports our strategic objectives of attracting and retaining exceptional talent.

Trust and reputation

Trust in the Bank and our reputation was impacted by the failings identified in the APRA Prudential Inquiry Report into CBA and highlighted by the Financial Services Royal Commission.

We recognise that trust takes time to build and can easily be eroded through poor decisions, failure to meet customer and community expectations, or by not complying with our regulatory obligations. As a provider of financial services, the Bank and its operations are currently subject to heightened regulatory scrutiny and requirements, particularly those relating to product development and distribution practices, privacy and customer complaints management.

The current high volume of new and proposed legislation will impact a number of areas in our business and will require material changes to operational processes. Failure to effectively implement these changes within the required timeframes could result in severe penalties and loss of trust by regulators and the community.

Key actions we are taking

- Through our Remedial Action Plan, good progress is being made in driving towards a risk culture of accountability, empowerment, constructive challenge, reflection and striving for best practice risk management.
- We are addressing the Royal Commission recommendations and implementing the necessary changes.
- Our Code of Conduct ensures all staff have a clear understanding of what it means to do the right thing by asking 'Should We?' when making decisions.
- Trust and reputation is a performance measure in Group Executives' long-term variable remuneration.
- We work with government and regulators to deliver industry-wide improvements and initiatives to support a trustworthy and reliable financial services sector.
- Our SpeakUP/Whistleblowing program allows current employees – their spouses, dependants and relatives – as well as former employees, contractors, consultants and suppliers, to anonymously raise a conduct issue.

Climate change

Australia has been experiencing frequent and extreme weather events, including the recent bushfires and east coast floods. This highlights the risks to our customers and our business of damage to property and assets.

There is also an increasing risk of financial impacts to our business and our customers' businesses as a result of the policy, legal, technology and market changes associated with the transition to a low carbon economy.

We seek to identify, assess and manage climate change risk in our core business areas, including lending and insurance.

We also seek to manage the risk that the Bank's assets, including those held as collateral or investments, could become impaired as a result of permanent physical damage or misalignment with new policy or community expectations.

Importantly, the transition to a low carbon economy also creates opportunities for the Bank.

Key actions we are taking

- We have implemented policy frameworks for considering environmental, social and governance (ESG) issues, including climate change.
- We are progressively performing climate change scenario analyses on our credit and insurance portfolios to understand potential impacts and opportunities.
- We are developing strategic responses to climate change, which includes strengthening our due diligence processes, considering our range of products and services, and building internal and customer capabilities to support the economy's transition to net zero emissions by 2050.
- Our approach to climate governance, strategy, risk management and metrics and targets, in line with the recommendations of the Task Force on Climate-related Financial Disclosures, is discussed in detail on pages 38–45.

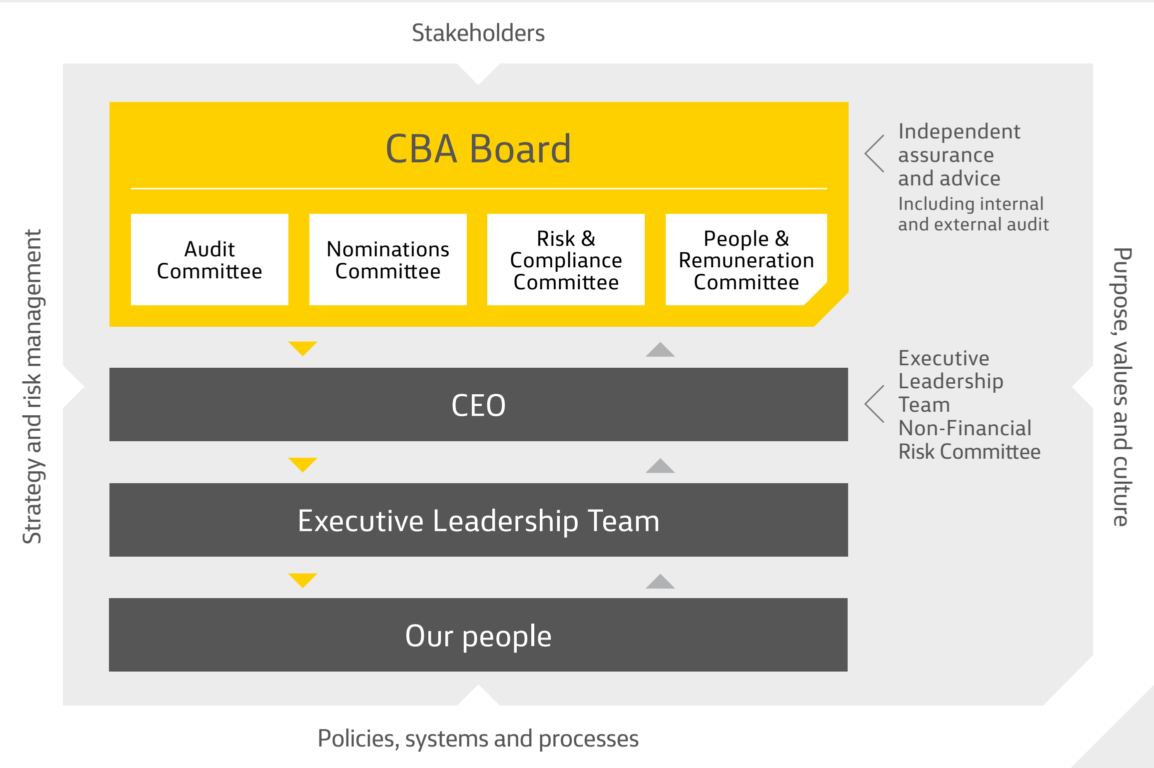
Our approach to corporate governance

Good governance is key to the Bank's ability to deliver on our purpose and strategy.

We are continuing to improve governance, accountability and risk management. Clearer lines of accountability and stronger risk management practices are improving our ability to meet regulatory and compliance obligations and deliver on the expectations of our customers and the community more broadly.

Our Corporate Governance Framework

Our Corporate Governance Framework is based on accountability, effective delegation and adequate oversight to support sound decision-making. The Board is responsible for setting the strategic direction and risk appetite of the Bank, and for leading the culture, values and behaviours of our people. The Chief Executive Officer (CEO) and Executive Leadership Team (ELT) are responsible for the management of the Bank and for bringing important issues to the attention of Board. The Board monitors and assesses performance and holds management to account.



Key ▼ Delegation ▲ Accountability

Corporate Governance Statement

Our Corporate Governance Statement (Statement) provides detailed information on our corporate governance frameworks.

The Statement and the Board and Board Committee Charters are available at commbank.com.au/corporategovernance

Board priorities during 2020

Governance

The Final Report of the 2018 APRA Prudential Inquiry into CBA sets out five key recommendations relating to the role of the Board.

1. Board visibility.
2. Board practices and processes.
3. Coordination between Board Committees.
4. Enforcement of accountability through the Audit Committee.
5. Reporting to Board on non-financial risks.

Under the Bank's Remedial Action Plan (RAP) the Board has designed and implemented target states for each recommendation. This year, the focus was on embedding changes and developing sustainability plans to ensure that the target states are consistently achieved and continuously improved.

Promontory is the independent reviewer of the Bank's RAP. On 30 June, Promontory issued their final assessment of Recommendation 1 and deemed it closed, with the target state achieved and the sustainability plan operationalised.

The Board has also continued to exercise greater oversight and scrutiny of the risks facing the Bank. In particular, the Board focused on the identification and management of non-financial risks, including regulatory compliance, conduct and cyber security.

To strengthen corporate governance practices across the Group, an entity governance framework has been developed to apply to all CBA entities. The Audit and Nominations Committees are responsible for monitoring and oversight of the framework.

The Final Report of the APRA Prudential Inquiry into CBA, our Remedial Action Plan, and the independent reviewer's progress reports can be read at: commbank.com.au/APRA

Strategy

The Board regularly considered the relevance and effectiveness of the Bank's strategy in the context of current and potential future market conditions. In accordance with its recurring schedule of strategic updates, the Board considered new product initiatives, emerging opportunities in new digital businesses, and the Bank's technology and innovation strategies. Business and Support Units also provided regular updates on the key strategic issues pertaining to their areas.

Regular reporting was provided to the Board on customer complaints and management's program in identifying and proactively remediating systemic issues with a view to continuously improving the Bank's products, services and processes. Ongoing consideration was also given to the Bank's sustainability commitments.

Operations

The Board remained focused on ensuring the Bank is positioned to operate safely and effectively, and implemented further measures to elevate the prominence of compliance matters at the Board and Committee level. This included emphasising the compliance oversight role of the Board's Risk Committee and renaming it the Risk & Compliance Committee.

The Board increased its focus on people matters, including the health, safety and wellbeing of employees. The Remuneration Committee's remit was expanded to include a greater focus on people matters and the committee was renamed the People & Remuneration Committee.

Governance during COVID-19

From the onset of the COVID-19 pandemic, the Board received regular updates to ensure it was well informed and in a position to provide oversight and guidance to management during the challenging and rapidly changing environment. The Board's key areas of focus included:

Health, safety and wellbeing

The health and safety of our people, their families, our customers and communities has been paramount. The Board has encouraged and supported management's efforts to establish frequent and transparent communications to help our people feel safe, act responsibly, and stay fully informed about the Bank's support for employees, customers and communities.

Operational and risk oversight

The Board received daily updates from the CEO, and met as required to ensure it was equipped to oversee management's efforts to identify, prioritise and manage potentially significant risks to business operations. The ELT met daily during the first six weeks of COVID-19 to ensure they had a comprehensive view of operational and risk matters and to monitor the wellbeing of our people and the impact on customers.

Business continuity and crisis management

The Bank's Crisis Management Team was activated. The Board reviewed the Group Business Continuity Management Policy in February to ensure it was fit-for-purpose. Changes were also made to provide employees with the resources and support required to work remotely with limited or no impact on customers.

Continuous disclosure

Temporary delegations were approved by the Board to allow decisions regarding disclosure to be made in the event the full Board was unable to convene promptly due to unexpected circumstances.

New ways of working

Drawing on feedback and insights shared by our customers and our people, the Board and management have been considering what ways of working were well executed during COVID-19. The changes that have been well received will be leveraged to support simpler, better banking for our customers and new ways of working for our people.

OVERVIEW
HOW WE CREATE VALUE
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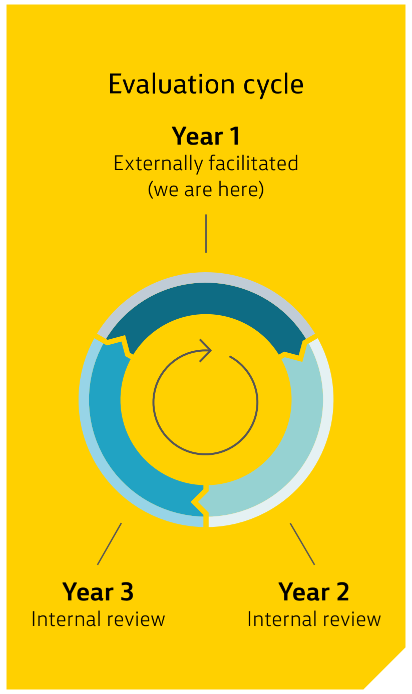
FINANCIAL REPORT
ADDITIONAL INFORMATION

Assessing board effectiveness

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

An independent external evaluation of the Board and its Committees is conducted every three years. The CEO, each of the CEO's direct reports, each Non-Executive Director, and the Group Company Secretary are interviewed and surveyed. An independent external review was held in 2020 and the results will be available in August 2020. Internal evaluations are undertaken in the intervening years.



Performance focus areas

This year, as a result of the internal evaluation conducted in 2019, the Board focused on the following four areas:

1 The working relationship between the Board and management

The Board strengthened governance and oversight between the Board and management through increased engagement, including: management inclusion at the Board's annual strategy education and offsite strategy sessions; scheduled one-on-one meetings between the Chairman and each member of the ELT; Board and ELT workshops; the Chairman joining the ELT meetings on a quarterly basis; and management attendance at Board and Committee meetings. As a result, the Board continues to have a positive influence on the behaviours within the Group, and is engaged and visible with management.

2 Culture including customer outcomes, conduct, compliance and reputation

The Board focused on building an accountable, customer-focused and transparent culture, and on achieving better customer and risk outcomes with an emphasis on capability, accountability and consequences. The Board's annual risk culture assessment was conducted in February 2020, and targeted initiatives were developed to further mature the risk culture of the bank in areas of need. This includes reinforcing senior leader behaviours of reflection, constructive challenge and accountability to drive better risk outcomes.

3 Longer-term strategy and the impact of emerging technology and innovation

More opportunities for strategic discussions on innovation were incorporated into the Board's planning cycle. The Board received regular updates from management on projects and programs across technology, cyber security and data management. This enabled the Board to address weaknesses and consider investment prioritisation, while maintaining a focus on improving IT risk management governance, operations and processes.

4 Enhanced Board reporting and processes

The Board increased its examination, identification, and understanding of non-financial risks and new and emerging risks. The Board receives a regular Non-Financial Risk Committee update from the CEO and Chief Risk Officer, which informs discussions and decisions on the management of non-financial risk. The Board has observed an improvement in the quality and quantity of non-financial risk information, as well as an improvement in insights provided.

Board composition and renewal

It is essential that Non-Executive Directors are independent, collectively have the relevant skills and experience, and represent a diverse range of views and thinking. This supports sound decision making and enables the Board to effectively discharge its responsibilities.

After more than five years serving the Board, Sir David Higgins retired as a Non-Executive Director and Chairman of the People & Remuneration Committee on 31 December 2019. Paul O'Malley was appointed Chairman of the People & Remuneration Committee with effect from 1 January 2020. Paul ceased as a member of the Nominations Committee on 31 October 2019 and was appointed a member of the Risk & Compliance Committee with effect from 1 November 2019.

Under the Board Appointment, Renewal and Performance Policy, the Chair of each Board Committee, other than the Nominations Committee Chair, is required to rotate after a term, usually every three years. Accordingly, Shirish Apte retired as Chairman of the Risk & Compliance Committee with effect from 31 October 2019. He remains a member of both the Risk & Compliance Committee and the Audit Committee.

Rob Whitfield AM was appointed as Chairman of the Risk & Compliance Committee and a member of the Audit Committee with effect from 1 November 2019. He remains a member of the Nominations Committee. Anne Templeman-Jones remains the Chairman of the Audit Committee, and Catherine Livingstone AO remains the Chairman of the Nominations Committee. Genevieve Bell AO was appointed a member of the Nominations Committee with effect from 1 November 2019. On 12 June 2020, it was announced that Simon Moutter will be appointed as an independent Non-Executive Director with effect from 1 September 2020.

On 10 August 2020, it was announced that Wendy Stops will not be standing for re-election at the 2020 Annual General Meeting. Wendy has been a Non-Executive Director since March 2015.

Board skills and experience

The Board Skills Matrix sets out the skills and experience considered essential to the effectiveness of the Board and its Committees.

The matrix is reviewed annually by the Nominations Committee to ensure the prescribed skills and experience address the Bank's existing and emerging business and governance issues. The matrix is also used to guide the identification of potential director candidates as part of the ongoing Board renewal process.

Skills and experience

Skill	Description	Practised/direct experience	High competency and experience
Enhanced customer outcomes	Demonstrated ability to understand the needs of customers and enhance their experience and outcomes		9
Financial acumen	Proficiency in financial accounting and reporting, capital management and/or actuarial experience	1	6
Financial services	Experience in banking, as relevant to CBA, and financial regulation	1	4
Global perspective	Having a global perspective through exposure or responsibility for international operations	2	7
Leadership	Held CEO or similar position in an organisation of significant size	3	6
Legal acumen	Proven ability and understanding in the application of legal principles	5	1
Listed company	Experience as a Non-Executive Director of at least two other listed entities (Australia or overseas)	2	3
Risk management	Proven ability in identifying, assessing and managing macro, strategic, operational and financial risks that could impact our business	3	6
Stakeholder engagement	Demonstrated ability to build and maintain key relationships with industry, government or regulators	4	5
Strategy	Demonstrated experience in developing, implementing and delivering strategic business objectives	3	6
Technology	Experience in technology strategies and innovation	3	4

Key Practised/direct experience High competency and experience

Board diversity

Female	55%
Male	45%

Exceeds 2020 target of 40% female

Board tenure

0–1 year	–
1–3 years	56%
3–6 years	33%
6–9 years	11%

Committee priorities

The Board Committees assist the Board with discharging its duties. The Charter for each Committee sets out its role, responsibilities, powers and authorities, and is reviewed at least annually.

Nominations Committee

Responsibilities: Board and Board Committee composition; succession planning and Board renewal; CEO performance review; Non-Executive Director induction and appointment; election and re-election of Non-Executive Directors of the Group Board and CBA subsidiary boards.

Committee members: Catherine Livingstone AO (Chairman), Genevieve Bell AO, Mary Padbury and Rob Whitfield AM.

2020 focus areas

- Reviewing the induction and ongoing education program for Directors.
- Considering and setting out the governance policies that apply to key operating subsidiaries.
- Measuring progress against the board gender diversity target across nominated Group subsidiaries.
- Enhancing entity governance and the endorsement of an entity governance framework.

Audit Committee

Responsibilities: The external reporting of financial information for the Group and its subsidiaries, the internal control framework, the internal auditor and the internal audit function, the external auditors, and the Group's Risk Management Framework in conjunction with the Risk & Compliance Committee.

Committee members: Anne Templeman-Jones (Chairman), Catherine Livingstone AO, Shirish Apte, Wendy Stops and Rob Whitfield AM.

2020 focus areas

- The Committee's remit was expanded to support the Nominations Committee to oversee and monitor the efficient management of entity formation and liquidation governance arrangements under the entity governance framework.
- Achieving improvements in reporting on the Group's internal control environment.
- Following-up on progress with the remediation of audit findings, and reporting from the Group Audit and Assurance function.

Risk & Compliance Committee

Responsibilities: The oversight and governance of risks impacting the Bank and its subsidiaries; the design, implementation and operation of the Group's Risk Management Framework, and Risk Management Approach; monitoring of the Group's risk appetite and assessing the overall risk profile of the Group; monitoring the effectiveness of the compliance management framework; oversight of the Group's risk management function, and risk culture.

Committee members: Rob Whitfield AM (Chairman), Catherine Livingstone AO, Shirish Apte, Paul O'Malley and Anne Templeman-Jones.

2020 focus areas

- Consideration of the Group's risk frameworks and policies for managing financial and non-financial risks.
- Endorsing the risk culture roadmap.
- Financial risk focus areas included key industry sector and portfolio reviews, the potential impacts of COVID-19, climate change and stress testing.
- Non-financial risk focus areas included financial crime prevention, conduct, data management, supplier governance and increased reporting of cyber security and technology risks.

People & Remuneration Committee

Responsibilities: Remuneration strategy and policy, remuneration arrangements and outcomes, and performance management frameworks. Early in the financial year, the Committee's remit was expanded to provide an enhanced focus on people matters, and health, safety and wellbeing.

Committee members: Paul O'Malley (Chairman), Catherine Livingstone AO, Mary Padbury and Wendy Stops.

2020 focus areas

- Reviewing the Group's remuneration strategies and performance within the Risk Management Framework.
- Reviewing relevant policies and share plans.
- Ongoing assessment of senior leader talent.
- Development and succession.
- Continued delivery of the Group's cultural change roadmap.
- Reporting on the health, safety and wellbeing of employees.

The Board Committees' charters are available at commbank.com.au/corporategovernance

Board of Directors

Catherine Livingstone AO **Chairman**

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

Appointed: Non-Executive Director from 1 March 2016, Chairman from 1 January 2017

Board Committees: Nominations (Chairman), Audit, Risk & Compliance, People & Remuneration

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

Catherine is Chancellor of the University of Technology Sydney. She is also a member of the Steering Committee for the CSIRO Australia Telescope National Facility and the Growth Centre Advisory Committee.

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

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

BAv, MCom, EMBA, GMP

Appointed: 9 April 2018

Board Committees: Nil

Matt has 20 years' experience in banking across business, institutional, retail and wealth management and has held a number of senior leadership roles since joining the Bank in 1999. As CEO, Matt is focused on building a simpler bank fully aligned to meeting the needs of customers in core markets, underpinned by stronger risk management and a continuing commitment to innovation and customer service. From 2012 until his appointment as CEO, Matt was Group Executive Retail Banking Services, the Bank's largest operating division, which accounts for more than half of the Bank's profit and also leads the development of digital products and services for the Bank. Between 2006 and 2010, Matt was Managing Director of the Bank's biggest digital business, CommSec, overseeing a significant modernisation of its technology platform and growing market share and profitability.

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

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

Shirish Apte **Independent Non-Executive Director**

ACA, BCom, MBA

Appointed: 10 June 2014

Board Committees: Audit, Risk & Compliance

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

Shirish is an Advisor to Virtusa Corporation, a Director of Fullerton India Credit Company Limited, a Director of Clifford Capital Holdings, and a Director of Keppel Infrastructure Pte Ltd.

Directorships of other listed entities in the last three years: IHH Healthcare Berhad (September 2014 – present) and Citi Handlowy (Member of the Supervisory Board) (March 2016 – present)

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

PhD, MA, MPhil, BA

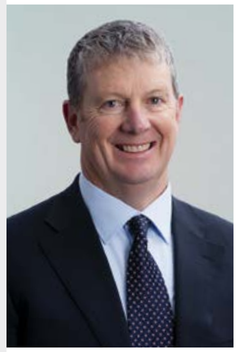
Appointed: 1 January 2019

Board Committees: Nominations

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

Genevieve is a Distinguished Professor at the College of Engineering and Computer Science at the Australian National University (ANU) and is the university's inaugural Florence Violet McKenzie Chair. She is also the Director of the Autonomy, Agency and Assurance Innovation Institute at ANU, a member of the National Science and Technology Council, and an Engelbart Distinguished Fellow of SRI International. In 2020, Genevieve was awarded the Order of Australia and has been nominated to contribute her expertise to the Global Partnership on Artificial Intelligence.

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



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

BCom, M. App Finance, ACA

Appointed: 1 January 2019

Board Committees: People & Remuneration (Chairman), Risk & Compliance

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

Paul serves as the Chairman for Australian Catholic Redress Ltd.

Directorships of other listed entities in the last three years: BlueScope Steel Ltd (August 2007 – December 2017)

Mary Padbury **Independent Non-Executive Director**

BA LLB (Hons), GAICD

Appointed: 14 June 2016

Board Committees: Nominations, People & Remuneration

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

Mary is the Chairman of the Macfarlane Burnet Institute for Medical Research and Public Health Ltd, and Clinical Genomics Technologies Holdings Pty Ltd, a private technology company. Mary is a member of Chief Executive Women as well as a member of the Victorian Legal Admissions Committee.

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

Wendy Stops **Independent Non-Executive Director**

BAppSc (Information Technology), GAICD

Appointed: 9 March 2015

Board Committees: Audit, People & Remuneration

Wendy has significant experience in the information technology and consulting sectors. She has a deep understanding of digital trends, business strategy and risk and quality management. Wendy has worked across multiple industries, geographies and cultures, particularly in the Asia-Pacific region. She has held a number of senior leadership positions at Accenture Ltd, including Senior Managing Director, Technology (Asia Pacific), Director of Operations (Asia Pacific), and Global Managing Director of Technology Quality & Risk Management and of Outsourcing Quality & Risk Management. Wendy also served on Accenture's Global Leadership Council.

Wendy is Chairman of the Melbourne Business School's Centre for Business Analytics Advisory Board, a Council Member of the University of Melbourne, a Director of Fitted for Work Ltd, a member of the Australian Institute of Company Directors Technology Governance & Innovation Panel, a member of the Digital Technology Taskforce Advisory Committee for the Department of Prime Minister and Cabinet and a member of Chief Executive Women.

Directorships of other listed entities in the last three years: Coles Group Ltd (November 2018 – present) and Altium Ltd (February 2018 – November 2019)

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

BCom, EMBA, MRM, CA, FAICD

Appointed: 5 March 2018

Board Committees: Audit (Chairman), Risk & Compliance

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

Anne is a Director of the Cyber Security Research Centre Ltd and a member of the Cyber Security Research Committee.

Directorships of other listed entities in the last three years: HT&E Limited (June 2013 – May 2018), G.U.D Holdings Ltd (August 2015 – present), The Citadel Group Ltd (September 2017 – May 2020) and WorleyParsons Ltd (November 2017 – present)

Rob Whitfield AM **Independent Non-Executive Director**

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

Appointed: 4 September 2017

Board Committees: Risk & Compliance (Chairman), Nominations, Audit

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

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

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

Simon Moutter will be appointed to the Board as an independent Non-Executive Director with effect from 1 September 2020.
Wendy Stops will retire as a Non-Executive Director at the conclusion of the 2020 Annual General Meeting.

Executive Leadership Team

Pascal Boillat
Group Executive, Enterprise Services and Chief Information Officer

Appointed: October 2018
Priorities: Pascal is responsible for IT, cyber security, technology infrastructure, digital delivery, operations and IT procurement. He is focused on the safe, sound and secure provision of the Bank's technology and enhancing operations to deliver the best digital services for customers.
Experience: Pascal has more than 30 years' international experience in financial services. Prior to joining the Bank, Pascal was Group Chief Information Officer at Deutsche Bank with accountability for technology strategy and delivery of IT. He also held technology-focused executive roles at Fannie Mae, Citibank and Credit Suisse.

Priscilla Brown
Group Executive, Marketing and Corporate Affairs

Appointed: August 2019
Priorities: Priscilla is accountable for customer insights, marketing, brand, government relations, communications and corporate social responsibility. She is focused on restoring trust and pride in the Bank.
Experience: Priscilla has over 30 years' financial services sector experience. She has held senior executive positions in strategy, marketing and corporate affairs with AXA, Sun Life Financial and Lincoln Financial Group. Before joining the Bank, she was Chief Executive Officer of Emerge, a digital health insurance broker, and advisor to several digital start-ups. Priscilla is a Member of the Board of TIAA, a US-based financial services company.

David Cohen
Deputy Chief Executive Officer

Appointed: November 2018
Priorities: David's key priority is supporting the Chief Executive Officer on Group-wide initiatives to build a simpler and better bank for the future. He also has responsibility for Customer and Community Advocacy, Mergers and Acquisitions, Group Investigations, Aussie Home Loans, Colonial First State and PT Bank Commonwealth in Indonesia.
Experience: David joined the Bank in 2008 and held a number of senior roles, including Group General Counsel, Group Executive Corporate Affairs and Chief Risk Officer. Previously, he was General Counsel for AMP and a partner with Allens Arthur Robinson for 12 years.

Alan Docherty
Group Executive, Financial Services and Chief Financial Officer

Appointed: October 2018 (Acting CFO from May 2018)
Priorities: Alan is responsible for the Group's finance, treasury, tax, investor relations, property and security functions. His priorities are ensuring his teams provide accurate, independent and objective analysis to drive sound decision making and performance; managing balance sheet settings in a sustainable and conservative manner; and delivering capital generation that supports better outcomes for all stakeholders.
Experience: Alan joined the Bank in 2003 and has held numerous senior roles in finance, including CFO of IB&M. He started his career with PwC's Financial Services practice in the UK before joining Arthur Andersen in Australia. Alan is a member of the Institute of Chartered Accountants of Scotland.

Andrew Hinchliff
Group Executive, Institutional Banking and Markets

Appointed: August 2018
Priorities: Andrew is responsible for serving the banking and finance needs of large corporates, governments and institutions in Australia and select international markets, by providing a full range of financial markets, capital raising, transactional banking and risk management solutions and services. His priority is to ensure that IB&M leverages its network, capabilities and insights to bring new perspectives to clients to help build a better Australia.
Experience: Andrew joined the Bank in 2015 as Executive General Manager, Global Markets. His career in institutional banking and markets spans more than 20 years, having held various leadership positions with Goldman Sachs and Credit Suisse First Boston.

Sian Lewis
Group Executive, Human Resources

Appointed: August 2018
Priorities: Sian is focused on helping the Bank maintain an energised and accountable team; integrating the Bank's values to guide behaviours; and strengthening and supporting a diverse and inclusive workforce. She is also committed to promoting employee wellbeing and skilling the Bank's workforce for the future.
Experience: Sian joined the Bank in 2014 and has been Executive General Manager, Direct Channels where she led 2,500 people across the Bank's customer contact centres. Previously, Sian spent nine years at Westpac, leading retail and commercial banking, marketing and call centre teams. Sian also spent 10 years in senior HR consulting roles in the UK and two years in Australia consulting to APRA.

Carmel Mulhern
Group General Counsel and Group Executive, Legal & Group Governance

Appointed: January 2020
Priorities: Carmel is responsible for the Group's legal and governance functions and advises the Chief Executive Officer and the Board. Her priorities are to ensure the fair and efficient resolution of the Group's legal matters and to support the effectiveness of the Board.
Experience: Carmel has over 25 years' legal experience. Prior to joining the Bank, she was the Group General Counsel and Group Executive Legal & Corporate Affairs at Telstra, where she was responsible for legal matters, government relations, communications, regulatory engagement, compliance and corporate sustainability. At Telstra, Carmel also held the positions of General Counsel Finance and Company Secretary. Carmel is a Fellow of the Governance Institute of Australia.

Vittoria Shortt
Chief Executive and Managing Director, ASB Bank Ltd

Appointed: February 2018
Priorities: Vittoria is responsible for leading the Group's New Zealand banking business, operating under the ASB brand. Her priorities are to provide leading customer experiences and outcomes; harnessing new technology to provide innovative solutions; and supporting programs that have a significant positive impact for New Zealanders.
Experience: Vittoria joined the Bank in 2002 and has held various executive and senior leadership positions, including Group Executive Marketing and Strategy, Chief Marketing Officer of Commonwealth Bank, and Chief Executive Retail at Bankwest. Vittoria started her career in corporate finance and mergers and acquisitions with Deloitte and Carter Holt Harvey.

Angus Sullivan
Group Executive, Retail Banking Services

Appointed: July 2018
Priorities: Angus is responsible for providing market-leading services to the retail customers of Commonwealth Bank and Bankwest. His priorities are to deliver exceptional customer service and outcomes, leading technology and innovation in products and services.
Experience: Angus joined the Bank in 2012 as Executive General Manager, Group Strategy and has held a number of senior positions in RBS across products, payments and the branch network. Previously, he was a Partner at McKinsey & Co. in New York, specialising in retail and commercial banking, wealth management, payments and general insurance.

Mike Vacy-Lyle
Group Executive, Business and Private Banking

Appointed: February 2020
Priorities: Mike is responsible for serving the banking needs of business, corporate and agribusiness customers, and for the Bank's online equities trading platform, CommSec. Mike's focus is on extending the Bank's business banking and payments capabilities, and on making banking simpler and better for customers by providing market-leading service, products and technology.
Experience: Prior to joining the Bank, Mike was Chief Executive Officer of FNB Commercial Banking in South Africa. He spent almost 20 years working at FNB Commercial Banking holding various roles across finance, pricing, product, capital management, sales and relationship management.

Scott Wharton
Group Executive, Program Delivery

Appointed: August 2019
Priorities: Scott is responsible for overseeing the implementation of major Group-wide programs. These include the Bank's Remedial Action Plan which responds to the APRA Prudential Inquiry into CBA, cost reduction and other programs helping CBA to become a simpler, better bank.
Experience: Scott joined the Bank in 2016 from Citigroup in New York where he was Managing Director and Global Head of Enterprise Supply Chain. He has 20 years' international financial services experience, with broad knowledge of technology, operations and project management.

Nigel Williams
Group Chief Risk Officer

Appointed: November 2018
Priorities: Nigel is focused on ensuring our people manage risk well to maintain the trust placed in the Group by our customers, shareholders and the community. He is accountable for ensuring the effective governance and management of all risk types – including credit risk, operational risk, compliance, liquidity, financial crime compliance and insurance.
Experience: Nigel has over 35 years of international banking experience, having held Directorships and executive business and risk management leadership roles. Prior to joining the Bank, Nigel was the Chief Risk Officer at Australia and New Zealand Banking Group (ANZ).

Adam Bennett ceased as Group Executive, Business and Private Banking on 31 January 2020.

Directors' report

The Directors of the Commonwealth Bank of Australia present their report, together with the Financial report of the Commonwealth Bank of Australia (the Bank) and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2020.

Principal activities

We are one of Australia's leading providers of financial services and operate predominantly in Australia and New Zealand, with a small presence in Europe, North America and Asia. Our products and services are provided through the following divisions:

- **Retail Banking Services (RBS)** provides banking and general insurance products and services to personal customers. RBS includes retail banking activities conducted under the Bankwest brand, the Group's general insurance business in Australia, the Group's mortgage broking operations and Commonwealth Financial Planning.
- **Business and Private Banking (BPB)** serves the banking needs of business, corporate and agribusiness customers and provides banking and advisory services to high net worth individuals through Commonwealth Private. BPB also includes the online equity trading business, CommSec, and business banking activities conducted under the Bankwest brand.
- **Institutional Banking and Markets (IB&M)** serves the commercial and wholesale banking needs of large corporate, institutional and government clients.
- **ASB New Zealand (ASB)** includes banking and funds management businesses operating in New Zealand.
- **Wealth Management** provides superannuation, investment, and retirement products and services.
- **International Financial Services (IFS)** includes the Indonesian retail and business banking operations and minority investments in China and Vietnam.

A review of the above operations and their results for the financial year ended 30 June 2020 can be found on pages 24–27.

Becoming a simpler bank

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 and includes a long-term partnership with AIA for the provision of life insurance products to customers in New Zealand.

On 23 May 2018, the Group announced the sale of its 37.5% equity interest in BoCommLife Insurance Company Limited (BoCommLife) to MS&AD Insurance Group Holdings (MS&AD)[1], which is subject to Chinese regulatory approvals. The sale is expected to complete in the second half of calendar year 2020.

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.

On 2 August 2019, the Group completed the sale of CFSGAM to Mitsubishi UFJ Trust and Banking Corporation (MUTB).

On 1 October 2019, the Group completed the sale of its 100% interest in Count Financial Limited (Count Financial) to CountPlus Limited (CountPlus).

On 1 November 2019, the Group announced the implementation of a joint cooperation agreement (JCA) which resulted in the full economic interests associated with CommInsure Life being transferred to AIA, and AIA obtaining direct management and control of the business (excluding the Group's 37.5% equity interest in BoCommLife). As a result, CommInsure Life (excluding BoCommLife) was deconsolidated and derecognised on 1 November 2019. The aggregate proceeds are being received in instalments.

The Group and AIA remain fully committed to completing the divestment of CommInsure Life through either a share sale or a statutory asset transfer. In the event of a share sale, the divestment is expected to complete shortly following the completion of the sale of the Group's 37.5% equity interest in BoCommLife. In the event of a statutory asset transfer, the divestment is expected to complete in the first half of the calendar year 2021.

On 28 April 2020, the Group announced the sale of its subsidiary, Australian Investment Exchange Limited (AUSIEX), to Nomura Research Institute (NRI). The sale is subject to regulatory and other conditions, and is expected to complete in the first half of calendar year 2021.

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

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

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

CFS, CommInsure Life, BoCommLife, CFSGAM and PTCL have been classified as discontinued operations in the Group's financial statements for the year ended 30 June 2020. The assets and liabilities of CFS, AUSIEX and the Group's interest in BoCommLife are classified as held for sale as at 30 June 2020.

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

For further details, refer to Note 1.1 and Note 11.3 in the *Financial report* on pages 113 and 258–261, respectively.

1 MS&AD Insurance Group Holdings is the ultimate parent company of Mitsui Sumitomo Insurance Co. Ltd

Impact of COVID-19

During the financial year we have seen the onset of the COVID-19 pandemic, with the depth and duration of an economic downturn dependent on the effectiveness of containment measures and the Government, prudential and industry response and support measures. During the financial year, the Bank announced an additional credit provision of $1.5 billion for the potential longer term impacts of COVID-19. This further reinforces our already strong provisioning and balance sheet settings that position the bank well for a range of possible economic scenarios. Given the unprecedented set of circumstances which are still evolving, a definitive assessment of the longer term outcomes of the COVID-19 pandemic and the consequent economic and societal impacts is difficult at this stage. The Bank's lending portfolios continue to be monitored closely, with detailed portfolio stress testing as the situation continues to evolve. The focus for the Bank continues to be supporting our customers through continued operational excellence underpinned by the commitment and pride of our people.

For further details on how we are responding to COVID-19 risks, refer to pages 55–56.

Operating and financial review

Group profit

The Group's statutory net profit after tax including discontinued operations for the financial year ended 30 June 2020 was $9,634 million, an increase of $1,063 million or 12% on the prior year. Statutory net profit after tax from continuing operations for the financial year ended 30 June 2020 was $7,459 million, a decrease of $630 million or 8% on the prior year. This was driven by a 2% increase in operating income, flat operating expenses and a significant increase in loan impairment expense.

Statutory net profit after tax from discontinued operations for the financial year ended 30 June 2020 was $2,175 million, an increase of $1,693 million on the prior year. It includes the following items:

- The results of CFSGAM up to 2 August 2019 when the business was sold and deconsolidated and the related gain on sale
- The results of CommInsure Life up to 1 November 2019 when the Group entered into the JCA with AIA and subsequently deconsolidated CommInsure Life, and the related loss on deconsolidation
- The results of PTCL up to 4 June 2020 when the business was sold and deconsolidated, and the related gain on sale
- The results of CFS which was classified as a discontinued operation during the year.

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

The Group's cash net profit after tax including discontinued operations for the year ended 30 June 2020 was $7,449 million, a decrease of $1,257 million or 14% on the prior year. Excluding discontinued operations, cash net profit after tax for the year ended 30 June 2020 was $7,296 million, a decrease of $925 million or 11% on the prior year. For further detail on the drivers of cash net profit after tax refer to pages 18–21.

Cash to statutory profit reconciliation

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

	Continuing operations		Total including discontinued operations	
	FY20	FY19	FY20	FY19
Net profit after tax – cash basis	**7,296**	8,221	**7,449**	8,706
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	**70**	(52)	**2,092**	(61)
Hedging and IFRS volatility	**93**	(79)	**93**	(79)
Bankwest non-cash items	**–**	(1)	**–**	(1)
Treasury shares valuation adjustment	**–**	–	**–**	6
Net profit after tax statutory basis	**7,459**	8,089	**9,634**	8,571

Non-cash items include:

- **Gain/(loss) on acquisition, disposal, closure and demerger of businesses:** Gains and losses on these transactions are inclusive of foreign exchange impacts, impairments, restructuring, separation and transaction costs and cover both controlled businesses and associates.
- **Hedging and IFRS volatility:** Hedging and IFRS volatility represents timing differences between fair value movements on qualifying economic hedges and the underlying exposure. To qualify as an economic hedge the terms and/or risk profile must match or be substantially the same as the underlying exposure.
- **Bankwest non-cash items:** The acquisition of Bankwest resulted in the recognition of assets at fair value, some of which have been amortising over their useful life. The transaction was considered one-off in nature.
- **Treasury shares valuation adjustment:** Valuation adjustments represent the elimination of gains and losses on CBA shares that were held through funds in the Wealth Management business.

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Directors' report (continued)

Assets and liabilities

Home loans increased $20 billion or 4%, driven by strong operational execution of credit-decisioning processes. Australian home loan balance growth of 4% was above market growth.

Deposits increased $64 billion or 10%, primarily driven by strong growth in transaction and savings deposits, partly offset by lower investment deposits. The increase in transaction and savings deposits is driven by customer preference for at-call deposits due to the low interest rate environment, continued growth in mortgage offset accounts and clients managing their liquidity needs in response to COVID-19 in Institutional Banking and Markets.

Debt issues decreased $22 billion or 13%, reflecting lower wholesale funding requirements due to growth in deposit funding.

	As at		
Total Group assets and liabilities ($m)	**30 June 2020**	**30 June 2019**	**% change**
Home Loans	**542,880**	522,942	4%
Consumer finance	**18,217**	21,993	(17%)
Business and corporate loans	**216,695**	214,953	1%
Total Group lending	**777,792**	759,888	2%
Other assets (including held for sale)	**236,268**	216,614	9%
Total assets	**1,014,060**	976,502	4%
Deposits	**699,413**	635,312	10%
Debt issues	**142,503**	164,022	(13%)
Other liabilities (including held for sale)	**100,131**	107,519	(7%)
Total liabilities	**942,047**	906,853	4%

Further information and analysis on the financial performance of the Group for the financial year ended 30 June 2020 can be found in the *Focus on financial performance* section on pages 18–27 of this Annual Report. Details on our risk management framework, material risk types and approach to managing them, including a description of the material trends in our current external operating context and more information on our business strategies and prospects for future financial years can be found in the *Overview* (pages 2–7), *How we create value* section (pages 8–71), including the *Managing our changing risk landscape* section (pages 55–61) of this Annual Report.

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

Dividends

Details of dividends paid and dividends determined are outlined in Note 8.4 in the *Financial report* on pages 199–200.

Litigation and regulatory matters

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

- the defence of nine class actions, four of which were commenced in financial year 2020. These include two separate shareholder class action proceedings, four class action claims in relation to superannuation products, a class action that was commenced by Bankwest customers, a class action in relation to consumer credit insurance for credit cards and personal loans, as well as a class action commenced in the United States relating to the BBSW benchmark; and
- four separate ASIC civil penalty proceedings against the Group, one of which has been resolved. Each of these relate to matters considered by the Financial Services Royal Commission.

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

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

The Board continues to monitor each of these actions, investigations and reviews. CBA also continues to actively work with its regulators in response to these matters.

For information about some of the litigation and regulatory matters referred to above, refer to Note 7.1 in the *Financial report* on pages 183–189.

Change in state of affairs

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

- Changes in the nature of principal activities outlined above.
- Changes to the Board as outlined in the *Our approach to corporate governance* section on pages 62–71.
- COVID-19 related impairment provisions as outlined on pages 18–21.
- During the financial year, we have participated in the RBA's Term Funding Facility (TFF) scheme to access long-term funding to help support Australian households and businesses during this unprecedented time. The TFF is a three-year facility with a fixed interest rate of 0.25% per annum. As at 30 June 2020, the Group has drawn $1.5 billion of its total available TFF allocation of $26.6 billion, composed of $19.1 billion of Initial Allowance and $7.5 billion of Additional Allowance. As at 7 August 2020, the Group's total available allocation was $31.4 billion.

For more information on the TFF, refer to Note 5.2 in the *Financial report* on pages 159.

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

Events subsequent to reporting date

The Bank expects the Dividend Reinvestment Plan (DRP) for the final dividend for the year ended 30 June 2020 to be satisfied by the issuance of shares of approximately $260 million.

Environmental reporting

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

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

For more information on our voluntary environmental reporting, see the *Our approach to climate change* section on pages 38–45 and our environmental metrics on pages 46–52.

Human rights supply chain reporting

We will fulfil the reporting requirements of the *Modern Slavery Act 2018* (Cth) with the Modern Slavery Statement that will be released in the 2021 financial year. This statement shows the steps we are actively taking to enhance the work undertaken to identify, manage and mitigate modern slavery risks and human rights abuses in our business operations and supply chains from the 2020 financial year onwards.

Directors and Directors' meetings

The Board of the Commonwealth Bank of Australia met 18 times during the year ended 30 June 2020. In addition, Directors attended Board strategy sessions and special purpose committee meetings during the year.

The following table includes:

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

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

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

1 Out of cycle Board meetings typically called for a special purpose that do not form part of the Board approved yearly planner.
2 The number of scheduled meetings held during the time the Director was a member of the Board or of the relevant committee.
3 The number of unscheduled meetings held during the time the Director was a member of the Board.
4 The number of concurrent meetings held during the time the Director was a member of the relevant committee.
5 Sir David Higgins was appointed a Non-Executive Director between 1 September 2014 and 31 December 2019. Sir David Higgins retired from the Risk & Compliance Committee, People & Remuneration Committee and the Board effective 31 December 2019.
6 Paul O'Malley was appointed a member of the Risk & Compliance Committee on 1 November 2019 and was a member of the Nominations Committee between 1 July 2019 and 31 October 2019.
7 On 10 August 2020, it was announced that Wendy Stops will not be standing for re-election at the 2020 Annual General Meeting.
8 Rob Whitfield AM was appointed a member of the Audit Committee on 1 November 2019.

Details of current Directors, their experience, qualifications, Directorships of other listed entities and any special responsibilities, including Board Committee memberships, are set out in the *Our approach to corporate governance* section on pages 62–71.

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 965,095 share rights outstanding in relation to Bank ordinary shares and no employee options. Holders of outstanding share rights in relation to the Bank's ordinary shares do not have any rights under the share rights to participate in any share issue or interest of the Bank.

Directors' interests in contracts

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

Directors' and officers' indemnity and insurance

Constitution

The Directors, as named on pages 67–69 of this report, and the Company Secretaries of the Bank, referred to below, are indemnified under the Constitution of the Commonwealth Bank of Australia (the Constitution), as are all current or former Directors or Executive Officers of the Bank.

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

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

Deeds of indemnity

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 and Company Secretary 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* (Cth) in respect of the Bank, and there are no proceedings that a person has brought or intervened in on behalf of the Bank under that section.

Rounding and presentation of amounts

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

Company secretaries

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

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

Kristy Huxtable was appointed Company Secretary of the Bank on 20 March 2019. Kristy is an experienced company secretary and brings extensive corporate governance experience, having previously worked as Company Secretary with other ASX Top 50 companies, including Suncorp and the ASX. Kristy is a Fellow of the GIA, and a Member of the AICD and the GIA Legislative Review Committee.

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

Remuneration report

Dear Shareholder

During these uncertain times, the Bank's leadership team have delivered strong underlying performance, and continue to support the financial wellbeing of our customers and communities.

On behalf of the Board, I am pleased to present the 2020 Remuneration Report.

The 2020 financial year has seen unprecedented health, economic and environmental events, from the devastating bushfires to the current coronavirus pandemic. Our shareholders, employees, customers and the communities we serve have been directly impacted.

In this section

The Group was well positioned coming into this volatile environment, with prudent management of the business leading to solid and resilient balance sheet settings, continued outperformance in our core banking business, and strong execution of our simpler, better banking strategy, including divestments. Our strong capital position and operational performance continues to support returns for shareholders.

Throughout this challenging period, the Bank's leadership team has maintained a clear focus on and dedication to our purpose. As a Board, we would like to acknowledge the way all of our employees have responded to these challenges, guided by our values.

Executive remuneration outcomes for the 2020 financial year

The remuneration outcomes for the 2020 financial year reflect the intended operation of the remuneration framework. This framework is designed to accommodate a range of performance and risk outcomes, adjust for risk matters and, where appropriate, apply Board discretion. The outcomes this year also reflect the exemplary leadership shown by the Chief Executive Officer (CEO) and his leadership team during the bushfires, drought and coronavirus pandemic, and ongoing commitment to supporting customers and other stakeholders through this unique combination of events.

While the external environment has been challenging, the Executives (CEO, Group Executives and CEO ASB) delivered strong results across both financial and non-financial performance measures. The Group's performance reflects two years of concentrated effort. However, we have taken a $1.5 billion forward-looking provision for loan impairments related to the expected impact of the coronavirus pandemic on our customers and the economy. These have had a material negative impact on the Group's 2020 financial results.

The Group achieved a cash Net Profit After Tax (NPAT) of $7,449 million, below threshold, therefore eliminating any Short-Term Variable Remuneration (STVR) outcomes for this element of the financial measure, and reducing the Group's overall STVR pool.

Performance against key non-financial measures exceeded expectations with a notable increase in employee engagement. At 81%, employee engagement improved markedly by 13% over last year, reflecting the pride and commitment of our people as they worked in difficult conditions to support the financial wellbeing of our customers. Such positive feedback from our people during the second half of the 2020 performance period suggests that we have operated in accordance with our values and purpose.

Substantial progress has also been made on divesting and ceasing our wealth management businesses, which has allowed the Bank's leadership team to focus on driving growth in our core banking businesses.

The formulaic outcomes of results were considered against an after-the-fact discretionary assessment of the extent to which the outcomes reflect our values, the current operating environment, and impacts on our customers and other stakeholders.

The CEO's STVR outcome for the 2020 financial year reflects the Group's financial and non-financial performance, and takes into account the significant leadership he has displayed both within the Bank, and at a national level, particularly over the past six months. His final outcome is 73% of maximum.

STVR outcomes for the Group Executives and CEO ASB ranged between 49% and 76% of maximum, with an average of 59%. These outcomes are inclusive of STVR risk adjustments applied to two of 11 Executives.

The 2017 financial year Long-Term Variable Remuneration (LTVR) award reached the end of its four-year performance period on 30 June 2020 with 84.04% vesting overall. 80% vesting against the TSR performance hurdle reflects our strong and positive shareholder returns relative to comparator organisations over the longer term. The portion of the award subject to customer satisfaction vested at 97%, reflecting performance relative to our major competitors. See page 93 for further details.

Governance, risk, culture and accountability

Over the past two years, the renewed Executive team has been charged with delivering a significant cultural and business transformation. CBA has made considerable progress to enhance its risk maturity, with leadership demonstrating a very positive values-led tone from the top. This is contributing to stronger business resilience.

Throughout the 2020 financial year we have continued our focus on implementing and embedding the Australian Prudential Regulation Authority Remedial Action Plan (APRA RAP) into our ways of working. With the delivery of 79% of milestones, as at 30 June 2020, including 22 in relation to risk and remuneration consequences, there is growing evidence of clearer lines of accountability and more effective application of remuneration consequences. As required by APRA, the RAP also continues to be a significant component of the Executive STVR scorecards to ensure adequate focus on the delivery of milestones. Employees are also recognised where they contribute to a positive risk culture. More information on risk and remuneration consequence outcomes can be found on page 82.

The Bank has continued to implement the recommendations of the Sedgwick Retail Banking Remuneration Review across customer-facing employees and their leaders.

As part of ongoing monitoring and in line with the RAP milestones, during the 2020 financial year the People & Remuneration Committee conducted a formal review of the effectiveness of the Group Remuneration Policy.

Looking ahead – changes for the 2021 financial year

Notwithstanding our assessment that the 2020 financial year Executive remuneration framework was sound, due to the likely new APRA regulatory standard on remuneration (CPS511), together with the strategic challenges ahead for the sector, the Board conducted a wide-ranging review to assess whether the framework will remain fit for purpose for the years ahead.

The Board concluded that change is required. Therefore, our Executive remuneration framework has evolved to ensure we continue to deliver a competitive remuneration framework to retain and attract high calibre leaders during a time of intense competition for capable and values-led banking talent. At the same time a revised framework will continue to enhance the alignment of management incentives with our key stakeholders and meet new regulatory requirements. Changes to be implemented in the 2021 financial year will include:

- Reducing overall remuneration quantum and re-balancing the remuneration mix to lower the leverage of the variable components.
- Extending vesting timelines to reflect risk and performance horizons, and to meet anticipated regulatory remuneration requirements regarding risk and deferral periods.
- Updating policy and procedures relating to malus and clawback.
- Introducing a new LTVR component that supports additional long-term share ownership, together with the current LTVR that has been reduced.
- Increasing alignment with the shareholder experience.

More information on these changes will be provided ahead of the 2020 Annual General Meeting and in the 2021 financial year Remuneration Report.

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

Paul O'Malley
People & Remuneration Committee Chairman

Remuneration overview

Executive remuneration framework for the 2020 financial year

Our values

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

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

	Fixed Remuneration **FR**	Short-Term Variable Remuneration **STVR** (at risk)	Long-Term Variable Remuneration **LTVR** (at risk)
Rationale	Provides market competitive remuneration to attract and retain high quality talent while reflecting role size and accountabilities.	Rewards for achieving key strategic and stakeholder annual performance outcomes. The values and risk and reputation modifiers adjust overall STVR for how performance was achieved.	Rewards participants for creating sustainable and superior long-term shareholder value, improving engagement of our people, and re-building trust and reputation 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, with vesting subject to performance over a four-year period.
Approach	• Reviewed annually against relevant comparator group remuneration benchmarks. • Primary comparator group is the other three major Australian banks, with further business and talent comparators included as relevant. For the CEO ASB, the primary comparator group is the other New Zealand banks.	**Quantum:** • Target opportunity of 100% of FR (75% for Group Chief Risk Officer (CRO)). • Maximum opportunity of 150% of FR (112.5% for Group CRO). **Business performance measures:** • Financial measures (30%; 10% for Group CRO). • Non-financial measures (70%; 90% for Group CRO), being customer, people and strategic measures, including delivery of the RAP (or Risk and Conduct agenda for CEO ASB). **Risk and values assessment (gate/modifiers):** Outcomes subject to Board[1] consideration of values, risk and reputation (via Executive risk scorecards). 1 Board is to be read as ASB Board for the CEO ASB.	**Quantum:** • Maximum face value allocation of 180% of FR (150% for Group CRO). **Business performance measures:** • For the CEO and Group Executives, relative total shareholder return (TSR) (75%); relative trust and reputation (12.5%); and employee engagement (12.5%). • For the CEO ASB, relative TSR (50%); ASB relative trust and reputation (25%); and ASB employee engagement (25%). • A positive TSR gateway applies to the trust and reputation and employee engagement measures. • Relative TSR is measured against a comparator group of the 20 largest companies on the ASX by market capitalisation, excluding resources companies and CBA. **Risk and values assessment (gate/modifiers):** Outcomes subject to Board consideration of conduct and risk and reputation matters.

All variable remuneration is subject to malus adjustment

Mandatory shareholding requirement (MSR)

The CEO must accumulate CBA shares equal to 300% of FR, and Group Executives and the CEO ASB must accumulate 200% of FR, 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 84.

Remuneration outcomes snapshot

CEO remuneration	
FR increase	**0%**
STVR % of maximum	**73%**
Total remuneration received	**$3.9m**

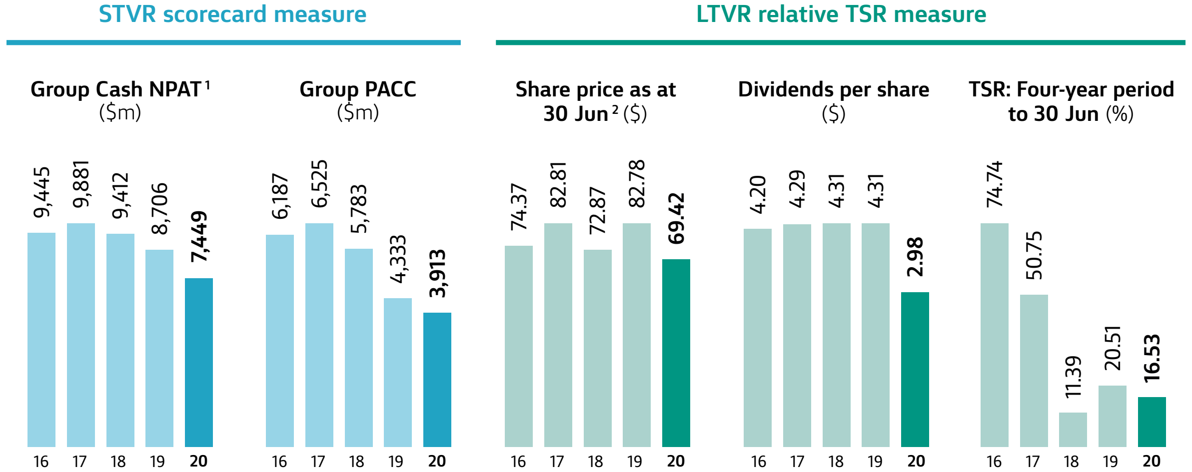
Group Executive and CEO ASB remuneration	
FR average increase	**1.4%**
STVR % of maximum	**49%** to **76%**

LTVR which reached the end of its performance period on 30 June 2020 **84.04%** of the award vested

Group financial performance

Remuneration outcomes reflect short and long-term performance

The graphs and table below illustrate the relationship between Executive remuneration outcomes and the Group's financial performance over the past five financial years (including the 2020 financial year).



1 Group Cash NPAT includes discontinued operations.
2 CBA opening share price on 1 July 2015 was $84.79.

Remuneration outcomes	30 Jun 16	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20
STVR outcome (average % of maximum)	75%	0%[1]	19%[2]	44%	**60%**
LTVR vesting outcome (% of maximum)	20%	67%	24%	24%	**84%**

1 The STVR outcomes for the CEO and Group Executives were adjusted downwards to zero, reflecting collective accountability for the overall reputation of the Group and risk and reputation matters.
2 As a consequence of the APRA Prudential Inquiry Report, the Board applied a negative adjustment of 20% to the 2018 financial year performance scorecard outcomes for each current Group Executive and assessed individual risk outcomes as partially met to reflect collective accountability for the APRA Prudential Inquiry Report findings. Further negative risk adjustments to STVR outcomes were also made in respect of certain individual Group Executives to reflect individual accountability for other risk and reputation matters separate from the APRA Prudential Inquiry Report findings.

Risk and remuneration consequences

The Board has continued to oversee enhancements to CBA's management of risk and remuneration consequence through its guidance, procedures and governance, including reinforcing the Board's expectations of risk outcomes and behaviours in support of a positive risk culture. There were two risk-related adjustments to CEO and Group Executive STVR outcomes in the 2020 financial year. Remuneration adjustments for remaining employees in relation to the 2020 financial year will be finalised in September 2020 in line with the CBA-wide annual remuneration review process and will be outlined in the 2021 Remuneration Report.

The remuneration adjustments made in the 2019 and 2018 financial years follow. Due to a change in reporting methodology, 2019 financial year data provided below includes employees eligible for a performance review.

2019 financial year	2018 financial year
Employees rated 'exceptionally managed' for risk	
500 employees	309 employees
Employees rated 'partially met' or 'not met' for risk	
4,515 employees (including 121 General Managers and above)	2,462 employees (including 73 General Managers and above)

In both the 2019 and 2018 financial years, STVR outcomes were reduced by a minimum of 10% for 'partially met' ratings, ranging up to 100% for 'not met'. Malus adjustments were also applied to unvested deferred variable remuneration in relation to poor risk outcomes and/or misconduct (2019: 10 employees with adjustments ranging from 20% to 100%; 2018: six employees with 100% adjustment and approximately 470 employees with 10% to 20% malus adjustment related to collective accountability).

CBA's consequence management framework was further embedded in the current financial year, with instances of unacceptable conduct resulting in termination. In the 2020 financial year there were 1,851 instances of substantiated unacceptable conduct, including 10 senior leaders (General Managers and Executive General Managers), with 136 resulting in termination.

Our remuneration framework has continued to evolve over the past year, enabling us to achieve better alignment between risk, performance and remuneration.

Risk culture

- Continued embedding a risk mindset through the deployment of a leadership assessment program to all General Managers and above, and the launch of a new Recognition Platform anchored in our values. The maturity of our risk culture continued to be assessed via the annual Board Risk Culture Assessment process.
- The Recognition Award, first introduced in 2019, continued to recognise and reward employees rated 'exceptionally managed' for risk, whose risk behaviours and outcomes were considered exemplary. Out of the 500 employees rated 'exceptionally managed' in the 2019 financial year, 62 employees received additional recognition to acknowledge their outstanding contribution to the positive risk culture of the Group.

Alignment of remuneration with prudent risk-taking

- Oversight by business unit CROs was strengthened to support the consistent application of risk assessment ratings and STVR adjustments through a constructive challenge process.
- Comprehensive reporting was provided to the Board to support oversight of remuneration and risk consequences and their effectiveness, and to assist in informing the Board's guidance for the 2020 performance and remuneration review.

Risk assessment in performance review process

- Executive risk assessments were supported by comprehensive reporting and governance, as part of the interim and annual performance assessment processes for the CEO and Group Executives.
- Enhanced remuneration guidance was introduced to help people leaders consistently determine the appropriate level of STVR adjustments for risk outcomes and behaviours not fully meeting expectations, and document the reasons for their assessment.

Malus/clawback

- Malus is the ability to reduce (including to zero) a variable remuneration award and/or lapse or postpone vesting of variable remuneration awards granted, but yet not vested.
- Guidance and enhanced processes to support the application of malus have been implemented across CBA during the 2020 financial year.
- Clawback will apply to all CEO and Group Executive variable remuneration from the 2021 financial year.

Remuneration governance

From 1 July 2019, the Remuneration Committee was renamed the People & Remuneration Committee to reflect its role in the oversight of talent and succession in addition to remuneration related matters. The People & Remuneration Committee is the governing body for developing, monitoring and assessing remuneration strategy, policies and practices across CBA on behalf of the Board. The role of the People & Remuneration Committee is to review, challenge, assess and, as appropriate, endorse the recommendations made by management for Board approval. It oversees CBA's remuneration framework and assists the Board to ensure CBA's remuneration strategy and policy are appropriate and effective.

The People & Remuneration Committee met formally six times during the 2020 financial year with the following members (as at 30 June 2020): Paul O'Malley (Chairman), Catherine Livingstone AO, Mary Padbury and Wendy Stops.

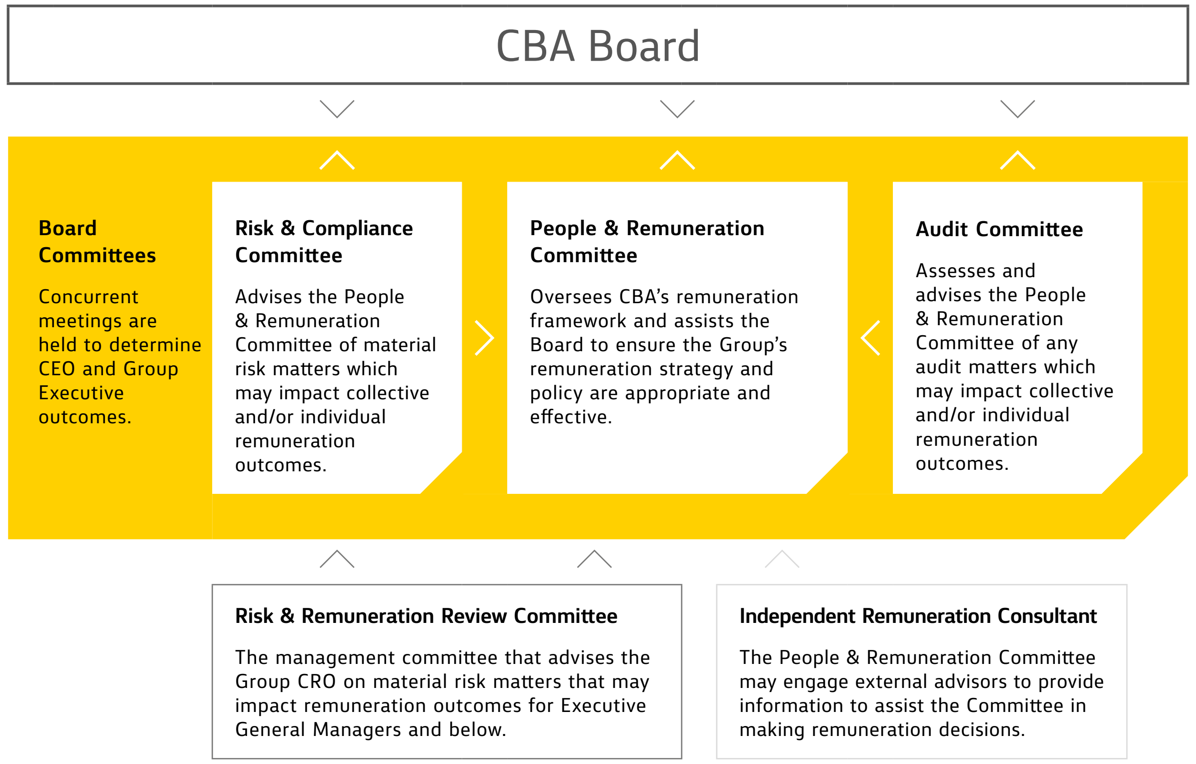
As part of the performance and risk review, and to support the determination of remuneration outcomes for the CEO and Group Executives, the People & Remuneration Committee met concurrently with the Risk & Compliance, Audit and Nominations Committees in February 2020 and June 2020. These concurrent meetings provided an opportunity for the Committees to review and discuss relevant risk and audit matters that may warrant consideration in the People & Remuneration Committee's determination of remuneration outcomes, including any in-year or malus adjustments for the CEO and Group Executives (including former Group Executives).

Information provided to the Board Committees to support their determinations of collective and/or individual remuneration impacts includes risk scorecards for the CEO and Group Executives, details of material risk matters, outcomes of internal audit reviews conducted during the year, and consideration of the quality of CBA's financial results. The Board reviews, challenges, applies judgment and, as appropriate, approves the People & Remuneration Committee's recommendations.

In addition to Board oversight, the Group Risk & Remuneration Review Committee, a management Committee that advises the Group CRO, oversees assessment of accountability for material risk matters, including those impacting CBA's reputation, and application of remuneration adjustments as applicable for Executive General Managers and below.

During the 2020 financial year, external advisors were engaged by management to provide information to the People & Remuneration Committee to assist the Committee with making remuneration decisions. The People & Remuneration Committee did not seek or receive any remuneration recommendations from the external advisors in the 2020 financial year.

CBA's remuneration governance framework



People & Remuneration Committee Charter

The responsibilities of the People & Remuneration Committee are outlined in its Charter and reviewed annually.

The Charter is available at commbank.com.au/peopleandremuneration

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Key Management Personnel

Key Management Personnel (KMP) are defined as persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

The table below outlines the Group's KMP for the financial year ended 30 June 2020. It also shows each individual's shareholding and corresponding progress against their MSR as at 30 June 2020.

Name	Position	Term as KMP	Current shareholding[1]	Progress against MSR and deadline
Chairman[2]				
Catherine Livingstone AO	Chairman	Full year	104%	Meets
Current Non-Executive Directors[2]				
Shirish Apte	Director	Full year	256%	Meets
Genevieve Bell AO	Director	Full year	22%	On track, 1 Jul 2024
Paul O'Malley	Director	Full year	182%	Meets
Mary Padbury	Director	Full year	52%	On track, 1 Jul 2024
Wendy Stops	Director	Full year	546%	Meets
Anne Templeman-Jones	Director	Full year	53%	On track, 1 Jul 2024
Rob Whitfield AM	Director	Full year	50%	On track, 1 Jul 2024
Former Non-Executive Director[2]				
David Higgins	Director (ceased as KMP on 31 December 2019)	Part year	n/a	n/a
Managing Director and CEO[3]				
Matt Comyn	Managing Director and Chief Executive Officer	Full year	264%	On track, 9 Apr 2023
Current Group Executives and CEO ASB[4]				
Pascal Boillat	Group Executive, Enterprise Services and Chief Information Officer	Full year	349%	Meets
David Cohen	Deputy Chief Executive Officer	Full year	347%	Meets
Alan Docherty	Group Executive, Financial Services and Chief Financial Officer	Full year	115%	On track, 15 Oct 2023
Andrew Hinchliff	Group Executive, Institutional Banking and Markets	Full year	158%	On track, 1 Aug 2023
Sian Lewis	Group Executive, Human Resources	Full year	119%	On track, 1 Aug 2023
Vittoria Shortt	Chief Executive Officer, ASB	Full year	231%	Meets
Angus Sullivan	Group Executive, Retail Banking Services	Full year	150%	On track, 1 Jul 2023
Mike Vacy-Lyle	Group Executive, Business and Private Banking (from 31 January 2020)	Part year	160%	On track, 31 Jan 2025
Nigel Williams	Group Chief Risk Officer	Full year	266%	Meets
Former Group Executive				
Adam Bennett	Group Executive, Business and Private Banking (ceased as KMP on 31 January 2020)	Part year	n/a	n/a

1 For the Non-Executive Directors, the percentage shown represents the individual's percentage of CBA shares as a proportion of their individual base fees. For the CEO, Group Executives and CEO ASB the percentage shown represents the individual's percentage of CBA shares as a proportion of their FR as at 1 July 2019.

2 Non-Executive Directors are required to hold CBA shares equivalent to 100% of base Board member fees for Non-Executive Directors and 100% of Board Chairman fees for the Chairman. This is to be accumulated over five years based on base Board member fees or Board Chairman fees as at 1 July 2019 (when the new MSR for Non-Executive Directors was introduced) or date of appointment, whichever is later.

3 The CEO is required to hold CBA shares equivalent to 300% of FR. This is to be accumulated over five years from appointment to the role.

4 Group Executives and the CEO ASB are required to hold CBA shares equivalent to 200% of FR. This is to be accumulated over five years from the time appointed to the role or for the CEO ASB, the time the role was determined to be KMP (1 July 2018).

Executive appointment arrangements

In the 2020 financial year, Mike Vacy-Lyle (Group Executive, Business and Private Banking) was appointed to the Executive Leadership Team as KMP.

Mike is responsible for leading the Bank's strategy and operations for the Business and Private Banking business unit. This is a critical portfolio and a core strategic priority for the Group. He brings extensive banking experience, including experience from his previous role as CEO of First National Bank Commercial Banking in South Africa.

The Board determined it was appropriate to provide a competitive remuneration package, including a sign-on award to compensate for unvested awards granted by his former employer, forfeited or forgone upon termination of his previous employment. Relocation benefits were also provided to Mike to support his relocation to Australia.

The table below outlines the sign-on award offered to Mike:

Grant date	Grant details	Vesting schedules	Vesting conditions
31 January 2020	Cash award (final value of $153,435). 21,262 deferred shares (grant date fair value of $1.803m).	Cash award vested in April 2020. Deferred shares vesting in two tranches in September 2020 and September 2021.	Subject to: • continued employment • Board risk and reputation review • malus provisions. *Eligible for dividends paid on deferred shares during the deferral period.*

More information on the remuneration package and relocation benefits are provided on pages 94 and 95.

Executive exit arrangements

Adam Bennett (Former Group Executive, Business and Private Banking) ceased as KMP on 31 January 2020. His exit arrangements were as follows:

- Payment in lieu of balance of contractual notice period.
- Provision of benefits and payments in accordance with his employment agreement, law and Group Policy including in respect of past service (six months' FR).
- Eligible for pro-rated 2020 financial year STVR award[1]. Not eligible for 2020 financial year LTVR award. Unvested deferred STVR and LTVR awards remain on-foot[2].

1 In line with the Banking Executive Accountability Regime, 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 at least four years after the decision is made to make the relevant award.

2 No accelerated or automatic vesting upon ceasing employment. The on-foot STVR awards will be assessed in the ordinary course at the end of the vesting period related to each award (as applicable). Final deferred STVR outcomes will be subject to performance, and Board risk and reputation review. While Adam's LTVR awards remained on foot at cessation, the Board exercised its post-cessation discretion to lapse his unvested deferred 2018 and 2019 financial year LTVR awards upon his commencing employment with a competitor of the Group.

Remuneration report (continued)

Remuneration received by current Executives

The remuneration outcomes table below provides a summary of the remuneration that was received by the current Executives in their KMP roles during the financial year ended 30 June 2020. 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 94, which presents remuneration in accordance with accounting standards (i.e. on an accruals basis), and instead is prepared in accordance with the basis of preparation noted below. All remuneration presented in this report is in Australian dollars.

		FR	Cash STVR	Other cash remuneration	Total cash payments	Deferred equity awards[1]	Total remuneration received	Previous years' awards forfeited or lapsed
		a	b	c	d = a + b + c	e	f = d + e	g
CEO								
Matt Comyn	**30 Jun 20**	**2,200,000**	**1,210,000**	**–**	**3,410,000**	**486,243**	**3,896,243**	**(1,307,409)**
	30 Jun 19	2,200,000	747,450	–	2,947,450	464,108	3,411,558	(1,270,151)
Current Group Executives and CEO ASB								
Pascal Boillat[2]	**30 Jun 20**	**1,500,000**	**618,954**	**–**	**2,118,954**	**1,149,354**	**3,268,308**	**–**
	30 Jun 19	1,121,918	353,825	–	1,475,743	1,052,765	2,528,508	–
David Cohen	**30 Jun 20**	**1,200,000**	**469,243**	**–**	**1,669,243**	**555,783**	**2,225,026**	**(1,114,563)**
	30 Jun 19	1,200,000	348,218	–	1,548,218	405,514	1,953,732	(1,109,864)
Alan Docherty	**30 Jun 20**	**1,025,000**	**475,072**	**–**	**1,500,072**	**200,884**	**1,700,956**	**–**
	30 Jun 19	945,277	291,296	–	1,236,573	233,096	1,469,669	–
Andrew Hinchliff[2]	**30 Jun 20**	**1,050,000**	**388,229**	**–**	**1,438,229**	**437,897**	**1,876,126**	**–**
	30 Jun 19	915,068	302,888	–	1,217,956	378,283	1,596,239	–
Sian Lewis[2]	**30 Jun 20**	**850,000**	**381,212**	**–**	**1,231,212**	**214,437**	**1,445,649**	**–**
	30 Jun 19	754,932	260,829	–	1,015,761	223,942	1,239,703	–
Vittoria Shortt[3]	**30 Jun 20**	**976,834**	**385,239**	**–**	**1,362,073**	**589,998**	**1,952,071**	**(1,046,457)**
	30 Jun 19	965,550	940,777	–	1,906,327	309,688	2,216,015	(345,461)
Angus Sullivan	**30 Jun 20**	**1,100,000**	**625,826**	**–**	**1,725,826**	**256,709**	**1,982,535**	**–**
	30 Jun 19	1,050,000	374,500	–	1,424,500	409,280	1,833,780	–
Mike Vacy-Lyle[4]	**30 Jun 20**	**456,831**	**209,882**	**153,435**	**820,148**	**–**	**820,148**	**–**
Nigel Williams[2]	**30 Jun 20**	**1,450,000**	**545,381**	**–**	**1,995,381**	**1,069,362**	**3,064,743**	**–**
	30 Jun 19	945,479	276,819	–	1,222,298	1,294,553	2,516,851	–

1 **Deferred equity awards**: This reflects the portions of the 2016 financial year LTVR award (performance period ended 30 June 2019), and the 2016 and 2017 financial year deferred STVR awarded under Executive General Manager arrangements that vested in the 2020 financial year. For Pascal Boillat and Nigel Williams, this also represents the portion of their sign-on awards that vested in the 2020 financial year.

2 **Pascal Boillat** was appointed as KMP effective 1 October 2018, **Andrew Hinchliff** was appointed as KMP effective 1 August 2018, **Sian Lewis** was appointed as KMP effective 1 August 2018 and **Nigel Williams** was appointed as KMP effective 5 November 2018. Prior year comparison reflects time in KMP role.

3 **Vittoria Shortt** has an additional payment of $11,557 of KiwiSaver payable on her cash STVR component.

4 **Mike Vacy-Lyle** was appointed as KMP effective 31 January 2020, therefore no prior year comparison is shown and amounts reflect time in KMP role.

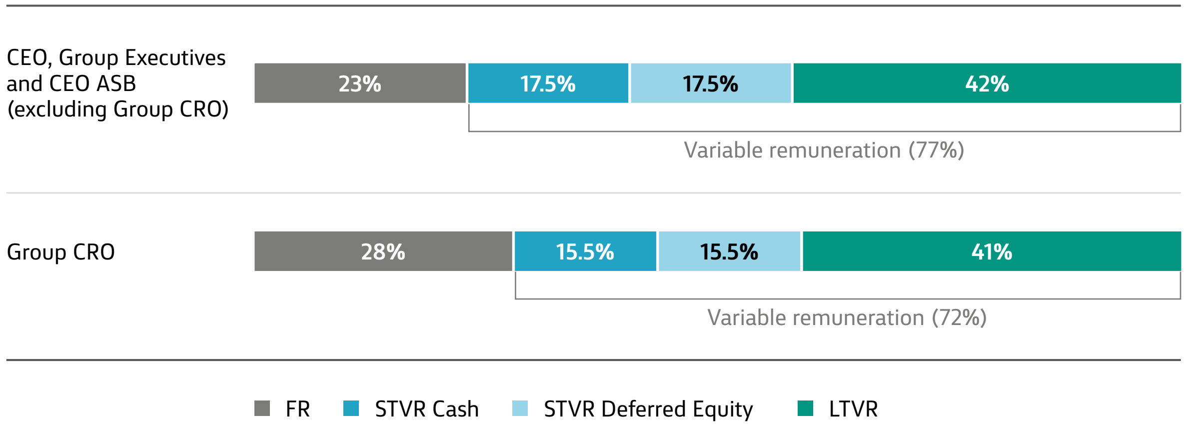
Basis of preparation

Cash payments	**a) FR:** Base remuneration plus superannuation (for the CEO ASB, contributions are made in line with the KiwiSaver employer contribution requirements) paid for the period as KMP. **b) Cash STVR:** 50% of the 2020 financial year STVR (relates to performance during the 12 months to 30 June 2020). For 2019: 50% of the 2019 financial year STVR (relates to performance during the 12 months to 30 June 2019). **c) Other cash remuneration:** Includes cash components of sign-on awards received during the relevant financial year.
Vesting of prior year awards	**e) Deferred equity awards:** The value of all equity awards (STVR, LTVR or sign-on awards) that vested during the period as KMP plus any dividends accrued during the deferral period. The value shown is based on the volume weighted average closing price (VWACP) of the Group's ordinary shares over the five trading days preceding the vesting date.
Awards forfeited or lapsed	**g) Previous years' awards forfeited or lapsed:** The value of all unvested deferred equity awards that were forfeited or lapsed during the 2020 financial year as the performance, risk and reputation conditions were not met. The value shown is based on VWACP of the Group's ordinary shares over the five trading days preceding the date of forfeiture or lapse.

Executive remuneration mix

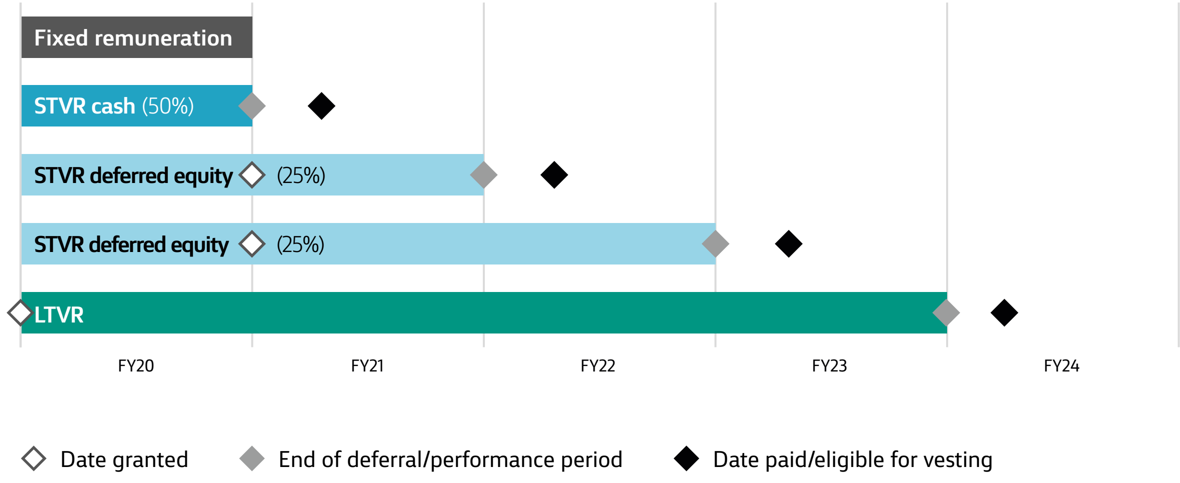
The following diagram illustrates the remuneration mix at maximum potential for the Executives. For the CEO, Group Executives (excluding the Group CRO) and the CEO ASB, approximately three-quarters of maximum remuneration is variable and at risk. The Group CRO's remuneration mix has a greater emphasis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

Maximum remuneration mix



Remuneration time horizon

The following diagram provides an illustrative indication of how 2020 financial year remuneration will be delivered to the Executives.



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1. Executive remuneration in detail

Fixed remuneration

Fixed remuneration comprises base remuneration (i.e. cash salary) and superannuation (KiwiSaver for the CEO ASB).

Fixed remuneration is delivered in accordance with contractual terms and conditions of employment. Executive fixed remuneration is reviewed annually against relevant comparator group remuneration benchmarks.

Short-term variable remuneration

The table below outlines key features of the 2020 financial year STVR award for the Executives. Refer to page 99 for treatment of STVR on cessation of employment.

Features	Approach
Purpose	Varies remuneration outcomes in line with the extent of annual performance achievement, with a balanced focus on customer, people, strategic and shareholder measures, incorporating both risk scorecard and values assessments. Recognises both the "how" and the "what" of performance.
Participants	All Executives.
Opportunity	See table below.
Business performance measures and weightings	Individual STVR outcomes are determined on the basis of Group (or ASB for the CEO ASB) performance and individual performance through a balanced scorecard. The performance measures comprise a mix of financial and non-financial metrics linked to Group and business unit targets. Together they provide a balanced assessment of performance and support the delivery of the Group's strategy. The weightings vary by role. More information on the CEO's STVR scorecard can be found on page 92. See table below.
Risk and values assessment (gate/modifiers)	Performance outcomes determined through assessment of the balanced scorecard are subject to the following assessments (gate/modifiers): • **Risk and reputation:** via the Executive risk scorecard[2] the Board[3] has the discretion to adjust Executive STVR outcomes upwards or downwards, including to zero, where appropriate. • **Values:** the Board[3] has the discretion to adjust Executive STVR outcomes upwards or downwards including to zero, where appropriate.
Calculation of awards	STVR awards for the Executives are calculated as follows: see formula below.
Deferral	50% of the STVR award is deferred and delivered in deferred shares that vest in equal tranches over one and two years. Deferred shares have rights to dividends declared during the deferral period. All deferred STVR awards are subject to applicable Board[3] risk and reputation review prior to vesting. See page 99 for an overview of the treatment of deferred STVR awards on termination.

Opportunity:

	Target STVR	Maximum STVR
CEO, Group Executives and CEO ASB (excluding Group CRO)	100% of FR	150% of FR
Group CRO	75% of FR	112.5% of FR

Business performance measures and weightings:

	Financial	Non-financial (including customer, people and strategy)[1]
CEO, Group Executives and CEO ASB (excluding Group CRO)	30%	70%
Group CRO	10%	90%

Calculation of awards:

Opportunity				Scorecard result		Risk and values assessment				Adjusted outcome
FR $	x	Target STVR opportunity %	x	Business performance result %[4]	x	Risk scorecard result[5]	x	Values result	=	Value of adjusted STVR award $

1 Strategic initiatives include 30% weighting required by APRA to be allocated to the delivery of the RAP.
2 Executive risk scorecard assessments include: risk culture and leadership; risk strategy/appetite; incidents and issues; and risk and control environment.
3 'Board' is to be read as ASB Board in respect of discretion for the CEO ASB's STVR outcomes.
4 The Board retains discretion to adjust scorecard outcomes.
5 Also subject to risk and reputation review.

Long-term variable remuneration

The table below outlines key features of the 2020 financial year LTVR for the Executives. Refer to page 99 for treatment of LTVR on cessation of employment.

Features	Approach
Purpose	Varies remuneration outcome in line with the extent of longer-term (four-year) performance achievement, with a balanced focus on relative shareholder returns, customer and community trust and reputation, and employee engagement to support creation of sustainable long-term shareholder value.
Participants	All Executives.
Opportunity	The maximum face value of LTVR that can be granted for the Executives, excluding the Group CRO is 180% of FR. The maximum face value of LTVR that can be granted for the Group CRO is 150% of FR. The minimum potential outcome value is zero.
Performance period	Four years from 1 July 2019 to 30 June 2023.
Business performance measures and weightings	See table below.
Instrument	Rights – each right entitles the participant to receive one CBA share (or cash equivalent at the Board's discretion), subject to meeting performance measures.
Maximum face value allocation approach	The number of rights granted are calculated as follows for the Executives: FR $ (at time of grant) x 180%[3] ÷ Share price $ (no discount applied) → Number of rights The share price used was the volume weighted average price of CBA's ordinary shares over the five trading days up to 1 July 2019.
Board discretion	The Board has discretion to determine that some or all of the award will lapse in certain circumstances (malus), including where, in the opinion of the Board: • The vesting of rights is not justified or supportable, having regard to the participant's performance and/or conduct, the performance of the business unit or function (as relevant having regard to the participant's accountability or role), or the overall Group performance. • The vesting of rights will impact on the financial soundness of the Group or a member of the Group. • The Group is required or entitled to reclaim remuneration or reduce an Executive's remuneration outcome under law, regulation or Group policy. • A significant unexpected or unintended consequence or outcome has occurred, including where original expected performance outcomes have not been realised. Prior to vesting, LTVR awards are also subject to Board risk and reputation review, and should any issues be identified the award can be reduced, including to zero.

Business performance measures and weightings:

	TSR (relative)	Trust and reputation (relative)[1]	Employee engagement (absolute)[1]
CEO and Group Executives (excluding the CEO ASB)	75%	12.5%	12.5%
CEO ASB[2]	50%	25%	25%

Performance measures	Approach
Relative TSR • TSR measures share price movement, dividends paid and any return of capital over a specific period. • Relative TSR compares the ranking of CBA's TSR over the performance period with the TSR of other companies in a peer group.	**Relative TSR peer group** • The peer group is made up of the 20 largest companies on the ASX by market capitalisation at the beginning of the performance period, excluding resources companies and CBA. This cross-industry peer group has been chosen as it represents the typical portfolio of companies in which CBA's shareholders invest, and so provides valid benchmarks for measuring against CBA's TSR. • The peer group at the beginning of the performance period for the relative TSR performance hurdle comprised: – Amcor Limited – Aristocrat Leisure Limited – ASX Limited – Australia & New Zealand Banking Group Limited – Brambles Limited – Coles Group Limited – CSL Limited – Goodman Group – Insurance Australia Group Limited – Macquarie Group Limited – National Australia Bank Limited – QBE Insurance Group Limited – Scentre Group – Suncorp Group Limited – Sydney Airport – Telstra Corporation Limited – Transurban Group – Wesfarmers Limited – Westpac Banking Corporation – Woolworths Limited

1 Trust and reputation and employee engagement measures are subject to a gateway of positive absolute CBA TSR.
2 For ASB this means ASB Trust and Reputation (relative) and ASB Employee Engagement (absolute).
3 150% for the Group CRO.

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Performance measures	Approach
Relative TSR (continued)	A reserve bench company will be substituted (in order of market capitalisation as at the beginning of the performance period) into the peer group when a peer group company ceases to be listed on the ASX as a result of an acquisition, merger or other relevant corporate action or delisting. The reserve bench comprised: Ramsay Health Care Limited, Cimic Group Limited, Dexus, AGL Energy Limited and Sonic Healthcare Limited.

Vesting framework

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

Calculation of results

Each company in the peer group will be given a percentile ranking based on the growth in its TSR over the four-year performance period. TSR outcomes are calculated by an independent provider, Orient Capital.

Reason for selection

Provides a direct link between Executive remuneration and shareholder returns, providing alignment with our shareholders.

Subject to positive absolute TSR gateway

Relative trust and reputation

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

CEO and Group Executives: relative trust and reputation peer group

- For the CEO and Group Executives (excluding the CEO ASB), the peer group is made up of the 16 largest consumer-facing companies listed on the ASX by market capitalisation at the beginning of the performance period, excluding resources companies, companies that are not familiar to the general public, companies that do not operate nationally, and CBA.
- For the CEO and Group Executives (excluding the CEO ASB), the peer group at the beginning of the performance period for the trust and reputation performance hurdle comprised:
  - AGL Limited
  - Australia & New Zealand Banking Group Limited
  - Coles Group Limited
  - Crown Resorts Limited
  - Insurance Australia Group Limited
  - Macquarie Group Limited
  - Medibank Private 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
  - Woolworths Limited

A reserve bench company will be substituted (in order of market capitalisation as at the beginning of the performance period) into the peer group when a peer group company ceases to be listed on the ASX as a result of an acquisition, merger or other relevant corporate action or delisting. The reserve bench comprised: Coca-Cola Amatil Limited, Lendlease Group, AMP Limited, and Bendigo and Adelaide Bank Limited.

CEO ASB: relative trust and reputation peer group

- For the CEO ASB, the peer group is made up of the four largest financial institutions in NZ, excluding ASB (sourced from Deloitte's Top 30 Financial Institutions Index), and the nine largest consumer-facing companies in NZ by revenue on the Deloitte Top 200 Index, and are included on the Reputation Institute Annual Reputation Index.
- For the CEO ASB, the peer group at the beginning of the performance period for the trust and reputation performance hurdle comprised:
  - ANZ Bank New Zealand Limited
  - Air New Zealand Limited
  - Bank of New Zealand
  - BP Oil New Zealand Limited
  - Fletcher Building Limited
  - Fonterra Co-operative Group Limited
  - Foodstuffs (combined North Island and South Island)
  - Fulton Hogan Limited
  - Kiwibank Limited
  - Spark New Zealand Limited
  - Westpac New Zealand Limited
  - Woolworths New Zealand Limited
  - Z Energy Limited

A reserve bench company will be substituted (in order of revenue as at the beginning of the performance period) into the peer group when a peer group company ceases to operate as a result of an acquisition, merger or other relevant corporate action or delisting. The reserve bench comprised: The Warehouse Group Limited and Meridian Energy Limited.

- These cross-industry peer groups have also been chosen to ensure that the focus is on delivering trust and reputation outcomes that are among the best in class for all customer-focused industries, not just financial services.

Performance measures	Approach
Relative trust and reputation (continued)	**Vesting framework**

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

Calculation of results

Each company in the peer group will be given a percentile ranking based on the change in its pulse score over the four-year performance period. The opening pulse score for each company will be calculated based on the average of the March, June and September 2019 surveys (or September 2018, March and August 2019 surveys conducted in NZ for the CEO ASB), and the closing pulse scores will be calculated based on the average of the surveys anticipated to be around November 2022, March and June 2023.

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 shareholder value.

Subject to positive absolute TSR gateway

Employee engagement (absolute)

- Employees are invited to participate in an externally conducted online survey.
- For the CEO and Group Executives, 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 equally weighted questions relating to satisfaction, commitment, advocacy and pride.
- For the CEO ASB, the Peak On methodology provides an employee engagement score which can be compared to the 'True Benchmark'. The True Benchmark reflects an adjustment for demographic factors that typically play a role in determining scores (e.g. tenure, gender, geography).

Target setting

- For the CEO and Group Executives, the target and stretch levels of performance have been set by the Board having regard to the IBM Kenexa gap closure method and global benchmark scores provided by IBM Kenexa, and CBA's EEI baseline relevant to the award.
- For the CEO ASB, the target and stretch levels of performance have been set by the ASB Board, having regard to ASB's baseline relevant to the award and benchmark levels.

Vesting framework

CBA EEI score	ASB EEI Score	Vesting %
78% or higher	8.30 or higher	100%
Between 72% and 78%	Between 8.10 and 8.30	Pro-rata vesting from 50% to 100%
72%	8.10	50%
Below 72%	Below 8.10	0%

Calculation of results

The surveys will be conducted by an independent provider who will facilitate and collate the EEI results. For the CEO and Group Executives (excluding the CEO ASB), the change in CBA's EEI scores between the March 2019 EEI score of 68% and the March 2023 score will be used to determine the level of vesting. For the CEO ASB, the change in ASB's EEI scores between the base year (the August 2019 EEI score of 8.10) and the end year (the last score prior to July 2023) will be used to determine the level of vesting.

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 its purpose, values and strategy.

An positive absolute TSR gateway is applied to the non-financial performance measures (trust and reputation, employee engagement), such that no vesting on these measures occurs unless TSR is positive over the relevant period.

2. Variable remuneration outcomes for the financial year ended 30 June 2020

CEO STVR performance outcomes

Reflective of Group performance, the CEO's 2020 financial year STVR outcome is: **73% of max**

Measure, rationale and commentary	Weight	Scorecard result: Threshold 50%	Target 100%	Stretch 150%	% of STVR maximum
Financial					
Strong underlying financial performance, however NPAT outcome materially impacted by significant provisions for expected future loan impairments. PACC outcome impact less material given long-tail nature of potential impact: • Group cash NPAT – below threshold (Actual: $7,449 million).	15%	8,122	8,520	8,919	0%
• Group underlying PACC – above threshold (Actual: $3,913 million).	15%	3,730	4,214	4,699	7%
Customer					
NPS outcomes for consumer, business and IB&M customers, with reference to complaints remediation: • Consumer, business & IB&M NPS ranked #2 or higher for majority of the 2020 financial year. • Progress addressing systemic challenges and underlying causes.	10%				6%
People					
Group People measure results (focus on culture, wellbeing, talent and capability): • Significant increase in employee engagement indicating strong pride, satisfaction and connection with the Bank. • Ongoing renewal of executive and senior leadership teams, with targeted growth in critical capability, and delivery of cultural change.	10%				9%
Strategy					
Progress on and quality of implementation of the APRA RAP: • All APRA RAP milestones delivered on plan to the Independent Reviewer, with the Second Foundational Review approved.	30%				22%
Significant progress on the delivery of Group strategic priorities: • Continued focus on innovation with the launch of Vonto, Home-In and CommSec Pocket, and innovation capability (x15 ventures, Klarna). • Strengthened leadership position in digital (online, Banking app). • Significant progress on targeted divestments and simplification of portfolio.	20%				19%
Overall CEO STVR outcome					63%

Values assessment • Role modelled the Group's 'Should We' test through the bushfire, drought and coronavirus pandemic responses, displaying national and Bank leadership. • Demonstrated personal care and support for customers and communities, including through Compassionate Care and Financial Abuse support initiatives.	Exceptionally Demonstrated	No adjustment
Risk and reputation assessment • Clear tone from the top on risk compliance and the control environment, with notable progress in Financial Crime, data management and the RAP.	Fully Met	No adjustment

Board discretion • Industry leadership and contribution at a national policy level to the challenges faced by our customers, communities and the economy particularly over the second half of the 2020 financial year and the practical and ongoing steps taken to assist our customers, people and their communities.	10%
Overall adjusted CEO STVR outcome	**73%**

Executive STVR performance outcomes

The following table provides the 2020 financial year STVR outcomes for Executives for the period they were KMP. The minimum potential outcome is zero.

	STVR maximum $	STVR actual: Total $	Cash[1] $	Deferred $	STVR actual as a % of STVR maximum[2] %
CEO					
Matt Comyn	3,300,000	2,420,000	1,210,000	1,210,000	73%
Current Group Executives and CEO ASB					
Pascal Boillat	2,250,000	1,237,908	618,954	618,954	55%
David Cohen	1,800,000	938,486	469,243	469,243	52%
Alan Docherty	1,537,500	950,144	475,072	475,072	62%
Andrew Hinchliff	1,575,000	776,458	388,229	388,229	49%
Sian Lewis	1,275,000	762,424	381,212	381,212	60%
Vittoria Shortt	1,465,252	770,478	385,239	385,239	53%
Angus Sullivan	1,650,000	1,251,652	625,826	625,826	76%
Mike Vacy-Lyle[3]	685,246	419,764	209,882	209,882	61%
Nigel Williams	1,631,250	1,090,762	545,381	545,381	67%
Former Group Executive					
Adam Bennett[4]	924,835	492,558	295,535	197,023	53%

1 Cash amounts will be paid in or around September 2020.
2 The percentage of 2020 financial year STVR forfeited (as a percentage of STVR maximum): Matt Comyn 27%, Pascal Boillat 45%, David Cohen 48%, Alan Docherty 38%, Andrew Hinchliff 51%, Sian Lewis 40%, Vittoria Shortt 47%, Angus Sullivan 24%, Mike Vacy-Lyle 39%, Nigel Williams 33%, Adam Bennett 47%.
3 Mike Vacy-Lyle's remuneration reflects his time in the role (31 January 2020 to 30 June 2020).
4 Adam Bennett's remuneration reflects his time in the role (1 July 2019 to 31 January 2020).

LTVR performance outcomes

The 2017 financial year LTVR award reached the end of its four-year performance period on 30 June 2020 and vested at 84.04%, with 15.96% of the LTVR award lapsing.

Performance measure	Percentage of award	Performance outcome	Vesting outcome
Relative TSR	76.25%	65th percentile ranking relative to TSR peer group	80%
Relative customer satisfaction[1]	23.75%	Average result by business over performance period: – retail main financial institution (MFI) customer satisfaction = 1.02 – wealth management customer satisfaction = 1.13 – business MFI customer satisfaction = 1.00 Total weighted average ranking = 1.06	97%

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.

3. Executive statutory remuneration

Executive statutory remuneration accounting expense

The following statutory table details the statutory accounting expense of all remuneration-related items for the Group's Executives. This includes remuneration costs in relation to both the 2019 and 2020 financial years. The tables are different from the remuneration outcomes table on page 86, which shows the remuneration received in the 2020 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.

	Fixed remuneration[1]		Other short-term benefits			Long-term benefits		Share-based payments			
	Base remuneration[2] $	Superannuation $	Non-monetary[3] $	Cash STVR (at risk)[4] $	Other[5] $	Long-term[6] $	Deferred STVR (at risk)[7] $	Deferred equity (at risk)[8] $	LTVR equity (at risk)[9] $	Termination benefits $	Total statutory remuneration[10] $
CEO											
Matt Comyn											
30 Jun 20	**2,178,997**	**21,003**	**17,399**	**1,210,000**	**14,813**	**105,112**	**–**	**467,155**	**1,667,697**	**–**	**5,682,176**
30 Jun 19	2,179,469	20,531	16,928	747,450	150,925	98,034	–	–	1,204,552	–	4,417,889
Current Group Executives and CEO ASB											
Pascal Boillat											
30 Jun 20	**1,478,997**	**21,003**	**15,602**	**618,954**	**431,541**	**12,734**	**–**	**1,843,450**	**585,408**	**–**	**5,007,689**
30 Jun 19	1,106,561	15,356	11,368	353,825	325,325	6,612	–	2,357,718	183,916	–	4,360,681
David Cohen											
30 Jun 20	**1,178,997**	**21,003**	**17,399**	**469,243**	**(8,972)**	**29,463**	**–**	**304,767**	**1,387,959**	**–**	**3,399,859**
30 Jun 19	1,177,914	22,086	16,928	348,218	26,483	38,147	–	163,350	1,133,049	–	2,926,175
Alan Docherty											
30 Jun 20	**1,003,997**	**21,003**	**17,399**	**475,072**	**32,977**	**24,098**	**–**	**268,262**	**400,041**	**–**	**2,242,849**
30 Jun 19	924,746	20,531	16,928	291,296	11,732	237,972	–	167,426	125,676	–	1,796,307
Andrew Hinchliff											
30 Jun 20	**1,028,997**	**21,003**	**17,399**	**388,229**	**28,399**	**26,824**	**–**	**398,714**	**396,763**	**–**	**2,306,328**
30 Jun 19	896,281	18,788	15,520	302,888	66,426	33,247	–	331,132	122,606	–	1,786,888
Sian Lewis											
30 Jun 20	**828,997**	**21,003**	**17,399**	**381,212**	**11,318**	**24,296**	**–**	**256,331**	**325,226**	**–**	**1,865,782**
30 Jun 19	736,144	18,788	15,520	260,829	11,886	35,812	–	151,824	101,156	–	1,331,959
Vittoria Shortt[11]											
30 Jun 20	**948,383**	**46,872**	**10,293**	**385,239**	**19,784**	**29,377**	**-**	**300,212**	**90,862**	**-**	**1,831,022**
30 Jun 19	937,427	56,346	9,926	940,777	24,021	28,772	–	310,192	529	–	2,307,991
Angus Sullivan											
30 Jun 20	**1,078,997**	**21,003**	**15,602**	**625,826**	**(6,877)**	**48,782**	**–**	**319,238**	**416,286**	**–**	**2,518,857**
30 Jun 19	1,029,469	20,531	15,165	374,500	48,189	97,018	–	183,493	128,740	–	1,897,104
Mike Vacy-Lyle[12]											
30 Jun 20	**448,108**	**8,722**	**7,323**	**209,882**	**344,897**	**2,202**	**–**	**817,166**	**116,192**	**–**	**1,954,492**
Nigel Williams											
30 Jun 20	**1,428,997**	**21,003**	**17,399**	**545,381**	**29,467**	**12,035**	**–**	**832,735**	**471,561**	**–**	**3,358,578**
30 Jun 19	932,092	13,388	11,162	276,819	182,242	5,604	–	2,117,055	148,148	–	3,686,510
Former Group Executive											
Adam Bennett[12,13]											
30 Jun 20	**601,871**	**14,686**	**10,083**	**295,535**	**6,774**	**(6,179)**	**197,023**	**164,794**	**1,407,913**	**767,733**	**3,460,232**
30 Jun 19	1,024,580	25,000	16,928	244,684	7,992	34,629	–	141,240	1,018,078	–	2,513,131

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 $18,421 payable on her cash STVR component and deferred awards).

2 Total cost of salary including cash salary, short-term compensated absences and any salary sacrificed benefits.

3 Cost of car parking (including associated fringe benefits tax). This includes an adjustment to 2019 car parking benefits for Pascal Boillat and Angus Sullivan.

4 KiwiSaver is payable on the CEO ASB's cash STVR.

5 Includes company-funded benefits (including associated fringe benefits tax where applicable) and the net change in accrued annual leave. 2019 financial year accrued annual leave figures have been restated due to change in reporting methodology. For Pascal Boillat, this also includes costs in relation to a housing allowance. For Mike Vacy-Lyle, this also includes costs in relation to his relocation to Sydney and the cash component of his sign-on award which vested during the 2020 financial year.

6 Long service leave entitlements accrued during the year as well as the impact of changes to long service leave valuation assumptions, which are determined in line with Australian Accounting Standards. This includes an adjustment to 2019 long service leave accrual for Vittoria Shortt.

7 The deferred portion of the 2020 financial year STVR outcome for Adam Bennett will be deferred into cash vesting four years after the decision is made to make the relevant award.

8 2020 financial year expense for deferred STVR awarded under Group Executive and Executive General Manager arrangements as well as sign-on awards received as deferred rights and/or shares in prior years. These equity awards are subject to forfeiture if the Executive is dismissed or ceases to be employed by the Group as a result of resignation prior to the vesting date. Deferred 2020 financial year STVR will be expensed over the vesting period commencing 1 July 2020.

9 2020 financial year expense for the 2017, 2018, 2019 and 2020 financial year LTVR awards.

10 The percentage of 2020 financial year remuneration related to performance was: Matt Comyn 59%, Pascal Boillat 61%, David Cohen 64%, Alan Docherty 51%, Andrew Hinchliff 51%, Sian Lewis 52%, Vittoria Shortt 42%, Angus Sullivan 54%, Mike Vacy-Lyle 58%, Nigel Williams 55%, Adam Bennett 60%.

11 For Vittoria Shortt, remuneration was paid in New Zealand dollars. The value shown was impacted by movements in exchange rates.

12 For Mike Vacy-Lyle and Adam Bennett, remuneration reflects the time in their KMP roles.

13 The LTVR rights value for Adam Bennett 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 2020 financial year, including those amounts which would otherwise have been included in future year disclosures and that may not vest. While Adam's awards remained on foot at cessation and the amortised value brought forward, the Board exercised its post-cessation discretion to lapse his unvested deferred 2018 and 2019 financial year LTVR awards upon his commencing employment with a competitor of the Group.

Fair value assumptions for awards granted in the 2020 financial year

In the 2020 financial year, a face value allocation approach was used to determine the number of rights granted under the LTVR (refer to page 96). The table below is provided in accordance with statutory requirements. The fair value has been calculated using a Monte Carlo simulation method. The exercise price is nil across all LTVR and STVR awards.

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 reflects that 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 $	Weighting	Performance period end/final vesting date
FY19 STVR deferred shares	Service	1 Sep 19	77.87	100%	1 Sep 21
FY20 LTVR rights	Relative TSR	18 Nov 19	31.79	75%	30 Jun 23
	Relative trust and reputation (positive TSR gateway)	18 Nov 19	56.60	12.5%	30 Jun 23
	Employee engagement (positive TSR gateway)	18 Nov 19	56.60	12.5%	30 Jun 23
FY20 LTVR rights (for Mike Vacy-Lyle and Vittoria Shortt)[1]	Relative TSR	18 Feb 20	43.96	75%	30 Jun 23
	Relative trust and reputation (positive TSR gateway)	18 Feb 20	61.58	12.5%	30 Jun 23
	Employee engagement (positive TSR gateway)	18 Feb 20	61.58	12.5%	30 Jun 23
Sign-on award (deferred shares) – Mike Vacy-Lyle	Service	31 Jan 20	84.78	100%	30 Sep 21

1 For Vittoria Shortt, the performance measures for the 2020 financial year LTVR rights have the following weightings: 50% relative TSR, 25% ASB trust and reputation and 25% ASB employee engagement. ASB trust and reputation and ASB employee engagement measures are both subject to the positive TSR gateway.

Remuneration report (continued)

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 the 2020 financial year. It also shows the number of previous years' awards that vested during the 2020 financial year – some of which relate to past non-KMP roles.

		Granted during 2020 financial year[2]		Awards vested during 2020 financial year[3]		Forfeited or lapsed during 2020 financial year[4]	
	Class[1]	Units	$	Units	$	Units	$
CEO							
Matt Comyn	LTVR rights	47,957	1,821,975	5,236	486,243	16,298	1,307,409
	Deferred STVR shares	9,599	747,474	–	–	–	–
Current Group Executives and CEO ASB							
Pascal Boillat	LTVR rights	32,698	1,242,266	–	–	–	–
	Deferred STVR shares	4,544	353,841	–	–	–	–
	Sign-on equity	–	–	14,052	1,149,354	–	–
David Cohen	LTVR rights	26,157	993,739	4,463	414,458	13,894	1,114,563
	Deferred STVR shares	4,472	348,235	1,815	141,325	–	–
Alan Docherty	LTVR rights	22,344	848,904	–	–	–	–
	Deferred STVR shares	3,741	291,312	915	71,247	–	–
	Deferred STVR rights	–	–	1,459	129,637	–	–
Andrew Hinchliff	LTVR rights	22,889	869,604	–	–	–	–
	Deferred STVR shares	4,368	340,136	2,006	156,197	–	–
	Deferred STVR rights	–	–	3,167	281,700	–	–
Sian Lewis	LTVR rights	18,529	703,957	–	–	–	–
	Deferred STVR shares	3,589	279,475	833	64,862	–	–
	Deferred STVR rights	–	–	1,681	149,575	–	–
Vittoria Shortt	LTVR rights	21,048	1,110,703	4,190	389,106	13,045	1,046,457
	Deferred STVR shares	8,055	627,243	–	–	–	–
	Deferred STVR rights	–	–	2,580	200,892	–	–
Angus Sullivan	LTVR rights	23,978	910,972	–	–	–	–
	Deferred STVR shares	4,810	374,555	800	62,292	–	–
	Deferred STVR rights	–	–	2,184	194,417	–	–
Mike Vacy-Lyle	LTVR rights	23,978	1,159,687	–	–	–	–
	Sign-on equity	21,262	1,802,592	–	–	–	–
Nigel Williams	LTVR rights	26,339	1,000,666	–	–	–	–
	Deferred STVR shares	3,555	276,828	–	–	–	–
	Sign-on equity	–	–	13,365	1,069,362	–	–
Former Group Executive							
Adam Bennett	LTVR rights	–	–	4,860	451,325	15,128	1,213,553
	Deferred STVR shares	2,514	195,765	1,569	122,170	–	–

1 Deferred STVR shares/rights represents STVR previously awarded under the Group Executive or Executive General Manager arrangements in prior years. Mike Vacy-Lyle was awarded sign-on equity in the 2020 financial year in the form of deferred shares. Approval was given for the granting of the CEO's 2020 financial year LTVR award at the 2019 Annual General Meeting.

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 2016 financial year LTVR award (granted 17 November 2015), deferred STVR awards (vested in full) (tranches granted 1 September 2016, 1 September 2017 and 1 September 2018) and sign-on shares/rights (granted 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 trading days preceding the vesting date, and includes the value of dividends accrued over the vesting period on rights. Executives receive one ordinary share in respect of each right that vests during the financial year.

4 This includes the portion of the 2016 financial year LTVR award (75.69%) that did not meet the performance hurdle and lapsed. The value of the lapsed award is calculated using the VWACP for the five trading days preceding the lapse date.

Overview of unvested equity awards

		Performance period/ vesting schedule		
Equity plan	Grant date	Start date	End date	Performance measures/vesting conditions
FY18 Executive STVR	1 Sep 18	1 Jul 17	30 Jun 18	Equal tranches vesting after one and two years, subject to: • continued employment • Board risk and reputation review • malus provisions.
FY19 Executive STVR	1 Sep 19	1 Jul 18	30 Jun 19	
FY17 Executive General Manager STVR	1 Sep 17	1 Jul 16	30 Jun 17	Equal tranches vesting after one, two and three years, subject to: • continued employment • Board risk and reputation review • malus provisions.
FY18 Executive General Manager STVR	1 Sep 18	1 Jul 17	30 Jun 18	
FY18 LTVR	17 Nov 17	1 Jul 17	30 Jun 21	Three tranches vesting after four years (following a Board risk and reputation review) being: • 75% TSR ranking relative to peer group • 12.5% trust and reputation (relative to peer group) • 12.5% employee engagement. The non-financial measures are subject to a positive TSR vesting gateway.
FY19 LTVR	12 Nov 18	1 Jul 18	30 Jun 22	
FY20 LTVR	18 Nov 19 and 18 Feb 20	1 Jul 19	30 Jun 23	
FY20 LTVR (CEO ASB)	18 Feb 20	1 Jul 19	30 Jun 23	Three tranches vesting after four years (following a Board risk and reputation review) being: • 50% TSR ranking relative to peer group • 25% ASB trust and reputation (relative to peer group) • 25% ASB employee engagement. The non-financial measures are subject to a positive TSR vesting gateway.
Pascal Boillat sign-on equity	1 Oct 18	n/a	1 Mar 23	No performance measures. Subject to: • continued employment • Board risk and reputation review • malus provisions.
Mike Vacy-Lyle sign-on equity	31 Jan 20	30 Sep 20	30 Sep 21	
Nigel Williams sign-on equity	5 Nov 18	n/a	22 Nov 21	

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ADDITIONAL INFORMATION

Shares and other securities held by Executives

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

	Class[1]	Balance 1 Jul 2019	Acquired/ granted as remuneration	Awards vested during the 2020 financial year[2]	Net change other[3]	Balance 30 Jun 2020
CEO						
Matt Comyn	Ordinary	55,397	–	5,236	–	60,633
	LTVR rights	120,948	47,957	(5,236)	(16,298)	147,371
	Deferred STVR shares	–	9,599	–	–	9,599
Current Group Executives and CEO ASB						
Pascal Boillat	Ordinary	–	–	14,052	(9,052)	5,000
	LTVR rights	37,066	32,698	–	–	69,764
	Deferred STVR shares	–	4,544	–	–	4,544
	Sign-on equity	67,781	–	(14,052)	–	53,729
David Cohen[4]	Ordinary	37,733	-	6,278	–	44,011
	LTVR rights	99,214	26,157	(4,463)	(13,894)	107,014
	Deferred STVR shares	3,630	4,472	(1,815)	–	6,287
Alan Docherty	Ordinary	5,142	–	2,374	312	7,828
	LTVR rights	25,329	22,344	–	–	47,673
	Deferred STVR shares	2,745	3,741	(915)	–	5,571
	Deferred STVR rights	2,259	–	(1,459)	–	800
Andrew Hinchliff	Ordinary	4,831	–	5,173	–	10,004
	LTVR rights	24,709	22,889	–	–	47,598
	Deferred STVR shares	6,019	4,368	(2,006)	–	8,381
	Deferred STVR rights	4,807	–	(3,167)	–	1,640
Sian Lewis[5]	Ordinary	3,596	–	2,514	–	6,110
	LTVR rights	20,386	18,529	–	–	38,915
	Deferred STVR shares	2,500	3,589	(833)	–	5,256
	Deferred STVR rights	2,534	–	(1,681)	–	853
Vittoria Shortt	Ordinary	15,026	–	4,190	–	19,216
	LTVR rights	54,013	21,048	(4,190)	(13,045)	57,826
	Deferred STVR shares	–	8,055	–	–	8,055
	Deferred STVR rights	7,064	–	(2,580)	–	4,484
Angus Sullivan	Ordinary	9,469	–	2,984	–	12,453
	LTVR rights	25,946	23,978	–	–	49,924
	Deferred STVR shares	2,402	4,810	(800)	–	6,412
	Deferred STVR rights	3,266	–	(2,184)	–	1,082
Mike Vacy-Lyle	Ordinary	n/a	–	–	–	–
	LTVR rights	n/a	23,978	–	–	23,978
	Sign-on equity	n/a	21,262	–	–	21,262
Nigel Williams	Ordinary	18,538	–	13,365	–	31,903
	LTVR rights	29,858	26,339	–	–	56,197
	Deferred STVR shares	–	3,555	–	–	3,555
	Sign-on equity	24,574	–	(13,365)	–	11,209
Former Group Executive						
Adam Bennett	Ordinary	24,271	–	6,429	(7,000)	n/a
	LTVR rights	89,664	–	(4,860)	(15,128)	n/a
	Deferred STVR shares	3,139	2,514	(1,569)	–	n/a

1 Ordinary shares include all CBA shares held by the Executive's closely related parties. LTVR rights are subject to performance hurdles. Deferred rights/shares represent the deferred STVR awarded under Group Executive and Executive General Manager arrangements in prior years. Both LTVR rights and deferred rights/shares are unvested as at 30 June 2020. 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. Executives receive one ordinary share in respect of each right that vests during the financial year.

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 Opening balance has been restated from 55,881 to 37,733 to include a correction to CBA ordinary shares.

5 Opening balance has been restated from 2,936 to 3,596 to include a correction to CBA ordinary shares.

Executive employment arrangements

The table below provides the employment arrangements for Executives.

Contract term	CEO	Group Executives	CEO ASB
Contract type[1]	Permanent	Permanent	Permanent
Notice period	12 months	Six months	Six months
Severance	n/a	n/a[2]	12 months[2]
STVR treatment on termination	In general, unless otherwise determined by the Board (or ASB Board in respect of the CEO ASB): • Executives who resign or are dismissed are not eligible to receive an STVR award and will forfeit any unvested deferred STVR awards. • Where an Executive's exit is related to any other reason (e.g. retrenchment, retirement or death), the Executive remains eligible (unless the Board determines otherwise) to be considered for an STVR award with regard to actual performance against performance measures (as determined by the Board in the ordinary course following the end of the performance period). • Where an Executive's exit is related to any other reason (e.g. retrenchment, retirement or death), unvested deferred STVR awards will remain on-foot subject to the original terms and conditions and will vest in the ordinary course, as though the Executive had not ceased employment.		
LTVR treatment on termination	In general, unless otherwise determined by the Board: • Executives who resign or are dismissed before the end of the performance period will forfeit all unvested LTVR awards. • Where an Executive's exit is related to any other reason (e.g. retrenchment, retirement or death), any unvested LTVR awards continue on-foot with performance measured at the end of the performance period related to each award.		

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.

4. 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 CBA's 2015 Annual General Meeting on 17 November 2015.

The following table outlines the Non-Executive Directors' fees for the Board and the Committees as at 30 June 2020. There has been no change to Board fees during the 2020 financial year. Fees are inclusive of base fees and statutory superannuation. The Chairman does not receive separate Committee fees.

Board/Committee	Chairman $	Member $
Board	870,000	242,000
Audit Committee	65,000	32,500
Risk & Compliance Committee	65,000	32,500
People & Remuneration Committee	60,000	30,000
Nominations Committee	11,600	11,600
United Kingdom Remuneration Assurance Committee (UK RAC)[1]	30,000	18,000

1 David Higgins served as Chair of the UK RAC during the 2020 financial year. Board members who also serve as members of the UK RAC receive fees in relation to that service, and these fees are set appropriately below fees for UK RAC independent members given a small portion of UK RAC matters overlap with People & Remuneration Committee matters.

Non-Executive Director statutory remuneration

The statutory table below details individual statutory remuneration for the Non-Executive Directors for both the 2019 and 2020 financial years.

	Short-term benefits	Post-employment benefits	Share-based payments	
	Cash[1] $	Superannuation[2] $	Non-Executive Directors' Share Plan[3] $	Total statutory remuneration $
Chairman				
Catherine Livingstone AO				
30 Jun 20	**870,108**	**21,003**	**–**	**891,111**
30 Jun 19	864,013	20,531	–	884,544
Current Non-Executive Directors				
Shirish Apte				
30 Jun 20	**314,694**	**21,003**	**–**	**335,697**
30 Jun 19	349,010	20,531	–	369,541
Genevieve Bell AO[4]				
30 Jun 20	**196,617**	**20,724**	**33,550**	**250,891**
30 Jun 19	95,031	9,905	14,320	119,256
Paul O'Malley[4]				
30 Jun 20	**292,542**	**21,003**	**–**	**313,545**
30 Jun 19	112,266	10,099	–	122,365
Mary Padbury				
30 Jun 20	**252,575**	**21,003**	**11,233**	**284,811**
30 Jun 19	236,674	20,531	25,618	282,823
Wendy Stops				
30 Jun 20	**284,797**	**21,003**	**–**	**305,800**
30 Jun 19	287,028	20,531	–	307,559
Anne Templeman-Jones				
30 Jun 20	**306,732**	**21,003**	**13,213**	**340,948**
30 Jun 19	271,568	20,531	30,136	322,235
Rob Whitfield AM				
30 Jun 20	**266,263**	**21,003**	**43,014**	**330,280**
30 Jun 19	231,314	20,531	33,471	285,316
Former Non-Executive Director				
David Higgins[5]				
30 Jun 20	**183,066**	**10,724**	**–**	**193,790**
30 Jun 19	313,052	20,531	–	333,584

1 Cash includes Board and Committee fees received as cash, as well as the provision of additional benefits (including associated fringe benefits tax).
2 Superannuation contributions are capped at the superannuation maximum contributions base as prescribed under the Superannuation Guarantee legislation.
3 The values shown in the tables represent the post-tax portion of fees received as shares under the NEDSP. Shares granted under the NEDSP are granted on current share price as at grant date and paid for out of pre-tax fee sacrifice (to a maximum of $5,000 p.a.) or after-tax fees, and were not provided as compensation.
4 Genevieve Bell AO and Paul O'Malley were appointed as Non-Executive Directors effective 1 January 2019 and their remuneration reflects time in the role.
5 David Higgins retired from his Non-Executive Director role effective 31 December 2019 and his remuneration reflects time in the role. He was appointed as the Chairman of the United Kingdom Remuneration Assurance Committee from 1 July 2019. His remuneration includes the fees paid for this role during the period he was KMP.

Non-Executive Director MSR

The MSR for Non-Executive Directors was reviewed during the 2019 financial year. From 1 July 2019, Non-Executive Directors are required to hold CBA shares equivalent to 100% of Board Chairman fees for the Chairman and 100% of Board member fees for Non-Executive Directors. This is to be accumulated over five years commencing the later of 1 July 2019 or date of appointment, valued with reference to the prevailing CBA share price at the date of appointment. For existing Non-Executive Directors, the number of shares required is calculated based on the prevailing CBA share price as at 1 July 2019 rather than the appointment date. This will also be the starting date for compliance with the revised MSR within five years. Progress against the MSR for each individual is shown on page 84.

Shares and other securities held by Non-Executive Directors

Details of the shareholdings and other securities as well as interests in registered schemes made available by CBA, or a related body corporate of CBA held by Non-Executive Directors (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned hold significant voting power) are set out below relating to time in KMP role. All shares were acquired by Non-Executive Directors on normal terms and conditions or through the Non-Executive Directors' Share Plan (NEDSP). Other securities acquired by Non-Executive Directors were on normal terms and conditions.

	Class	Balance 1 Jul 2019	Acquired[1]	Net change other[2]	Balance 30 June 2020
Chairman					
Catherine Livingstone AO	Ordinary	7,337	3,598	–	10,935
Current Non-Executive Directors					
Shirish Apte	Ordinary	7,500	–	–	7,500
Genevieve Bell AO	Ordinary	141	500	–	641
	PERLS[5]	1,020	–	–	1,020
Paul O'Malley	Ordinary	5,330	–	–	5,330
Mary Padbury[3]	Ordinary	1,279	248	–	1,527
	PERLS[5]	1,600	–	–	1,600
Wendy Stops	Ordinary	16,000	–	–	16,000
Anne Templeman-Jones	Ordinary	1,038	512	–	1,550
Rob Whitfield AM	Ordinary	858	613	–	1,471
Former Non-Executive Director					
David Higgins[4]	Ordinary	10,878	–	–	n/a
	PERLS[5]	150	–	–	n/a

1 Incorporates shares and other securities acquired during the year. In the 2020 financial year, under the NEDSP, Genevieve Bell AO acquired 500 shares, Mary Padbury acquired 248 shares, Anne Templeman-Jones acquired 272 shares and Rob Whitfield AM acquired 613 shares.
2 Net change other incorporates changes resulting from sales of securities.
3 Mary Padbury also holds an interest in 158,162.747 units in the Commonwealth Specialist Fund 15, a registered scheme made available by a related body corporate of the Bank, as at 12 August 2020. Varying interests in this Fund have been held by Mary Padbury since 2015. CBA identified that it omitted to disclose these interests in its Annual Reports from 2016 in error.
4 David Higgins retired from the Group effective 31 December 2019 and therefore his shareholding balance as at 30 June 2020 is not included.
5 Includes cumulative holdings of PERLS securities issued by the Group.

5. Loans and other transactions

Loans to KMP

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

Total loans to KMP

	$
Opening balance (1 Jul 19)	12,402,631
Closing balance (30 Jun 20)[1]	7,942,387
Interest charged (during 2020 financial year)	308,403

1 The aggregate loan amount at the end of the reporting period includes loans issued to 11 KMP and their closely related parties.

Loans to KMP exceeding $100,000 in aggregate during the 2020 financial year

	Balance 1 Jul 2019[1] $	Interest charged $	Interest not charged $	Write-off $	Balance 30 Jun 2020 $	Highest balance in period[2] $
Adam Bennett	1,014,436	7,772	–	–	n/a	1,022,961
Alan Docherty	1,447,903	45,453	–	–	1,298,389	1,452,190
Sian Lewis	776,528	29,781	–	–	777,066	817,095
Vittoria Shortt	3,300,739	41,007	–	–	138,774	5,600,432
Angus Sullivan	5,654,483	178,606	–	–	5,601,320	5,814,816
Total	**12,194,090**	**302,618**	**–**	**–**	**7,815,549**	**14,707,493**

1 Opening balances at 1 July 2019 have been restated due to a change in reporting methodology.
2 Represents the sum of highest balances outstanding at any point during the 2020 financial year for each individual loan held by the KMP and their closely related parties.

Other transactions of KMP

Financial instrument transactions

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

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

Transactions other than financial instrument transactions

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

Non-audit services

Amounts paid or payable to PricewaterhouseCoopers (PwC) for audit, review, assurance and non-audit services provided during the year, are set out in Note 12.3 to the *Financial report* on page 264.

Auditor's Independence Declaration

We have obtained an independence declaration from our external auditor as presented on page 104.

Auditor independence

The operation of the Group External Auditor Services Policy assists in ensuring the independence of the Group's external auditor.

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

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

The Directors are satisfied that the provision of the non-audit services by PwC during the year is compatible with the general standard of independence for auditors and did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cth). The reasons for this are as follows:

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

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

Incorporation of additional material

The following sections of this report form part of the *Directors' report* and should be read in conjunction.

- Directors' shareholdings, share rights and options can be found on pages 98 and 101; and
- The *Remuneration report* can be found on pages 78–102.

This Directors' report is made in accordance with a resolution of the Directors.

C.B. Livingstone

Catherine Livingstone AO
Chairman

Matt Comyn
Managing Director and Chief Executive Officer

12 August 2020

Auditor’s Independence Declaration

For the year ended 30 June 2020

pwc

As lead auditor for the audit of the Commonwealth Bank of Australia for the year ended 30 June 2020, 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
12 August 2020

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Income Statements

For the year ended 30 June 2020

		Group [1,2,3]			Bank [2,3]	
	Note	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 20 $M	30 Jun 19 $M
Interest income:						
Effective interest income	2.1	**29,726**	34,089	33,643	**26,651**	30,953
Other interest income	2.1	**436**	620	629	**485**	660
Interest expense	2.1	**(11,552)**	(16,485)	(15,807)	**(10,660)**	(15,434)
Net interest income		**18,610**	18,224	18,465	**16,476**	16,179
Other banking income [4]	2.3	**5,002**	4,877	5,299	**9,154**	5,919
Net banking operating income		**23,612**	23,101	23,764	**25,630**	22,098
Net funds management operating income	2.3	**173**	254	314	**–**	–
Net insurance operating income	2.3	**141**	150	241	**–**	–
Total net operating income before operating expenses and impairment		**23,926**	23,505	24,319	**25,630**	22,098
Operating expenses	2.4	**(10,929)**	(10,928)	(10,687)	**(10,745)**	(10,633)
Loan impairment expense	3.2	**(2,518)**	(1,201)	(1,079)	**(2,155)**	(1,058)
Net profit before income tax		**10,479**	11,376	12,553	**12,730**	10,407
Income tax expense	2.5	**(3,020)**	(3,275)	(3,811)	**(2,562)**	(2,624)
Net profit after income tax from continuing operations		**7,459**	8,101	8,742	**10,168**	7,783
Non-controlling interests in net profit after income tax from continuing operations		**–**	(12)	(13)	**–**	–
Net profit attributable to equity holders of the Bank from continuing operations		**7,459**	8,089	8,729	**10,168**	7,783
Net profit after income tax from discontinued operations	11.3	**2,178**	489	606	**–**	–
Non-controlling interests in net profit after income tax from discontinued operations	11.3	**(3)**	(7)	(6)	**–**	–
Net profit attributable to equity holders of the Bank		**9,634**	8,571	9,329	**10,168**	7,783

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

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

	Group [1,2]		
	30 Jun 20	30 Jun 19	30 Jun 18
	Cents per share		
Earnings per share from continuing operations:			
Basic	**421. 8**	458. 3	500. 0
Diluted	**408. 5**	443. 2	485. 5
Earnings per share:			
Basic	**544. 8**	485. 6	534. 3
Diluted	**523. 2**	468. 6	517. 7

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 and to reflect the changes in accounting policies detailed in Note 1.1.
3 Current year amounts reflect the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.
4 Other banking income is presented net of directly associated depreciation and impairment charges.

Statements of Comprehensive Income

For the year ended 30 June 2020

	Group [1,2,3]			Bank [2,3]	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 20 $M	30 Jun 19 $M
Net profit after income tax for the period from continuing operations	**7,459**	8,101	8,742	**10,168**	7,783
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit/(loss):					
Foreign currency translation reserve net of tax	**(186)**	488	(12)	**(51)**	214
Gains/(losses) on cash flow hedging instruments net of tax	**726**	947	(53)	**694**	1,003
(Losses)/gains on debt investment securities at fair value through Other Comprehensive Income net of tax	**(199)**	103	–	**(200)**	(5)
Losses on available-for-sale investments net of tax	**–**	–	(68)	**–**	–
Total of items that may be reclassified	**341**	1,538	(133)	**443**	1,212
Items that will not be reclassified to profit/(loss):					
Actuarial gains/(losses) from defined benefit superannuation plans net of tax	**116**	(49)	161	**115**	(50)
Losses on liabilities at fair value due to changes in own credit risk net of tax	**–**	–	(2)	**–**	–
Gains/(losses) on equity investment securities at fair value through Other Comprehensive Income net of tax	**34**	(6)	–	**40**	(1)
Revaluation of properties net of tax	**19**	34	31	**15**	33
Total of items that will not be reclassified	**169**	(21)	190	**170**	(18)
Other comprehensive income net of income tax from continuing operations	**510**	1,517	57	**613**	1,194
Total comprehensive income for the period from continuing operations	**7,969**	9,618	8,799	**10,781**	8,977
Net profit after income tax for the period from discontinued operations	**2,178**	489	606	**–**	–
Other comprehensive income/(expense) for the period from discontinued operations net of income tax [4]	**(56)**	(17)	(6)	**–**	–
Total comprehensive income for the period	**10,091**	10,090	9,399	**10,781**	8,977
Total comprehensive income for the period is attributable to:					
Equity holders of the Bank	**10,088**	10,071	9,380	**10,781**	8,977
Non-controlling interests	**3**	19	19	**–**	–
Total comprehensive income net of tax	**10,091**	10,090	9,399	**10,781**	8,977

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 and to reflect the changes in accounting policies detailed in Note 1.1.
3 Current year amounts reflect the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.
4 Includes $48 million loss on foreign currency translation net of tax (30 June 2019: $24 million loss; 30 June 2018: $3 million gain) and $8 million loss on revaluation of debt investment securities measured at fair value through other comprehensive income net of tax (30 June 2019: $7 million gain). 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		
	Note	30 Jun 20	30 Jun 19	30 Jun 18
		Cents per share		
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	8.4	**298**	431	431

Balance Sheets

As at 30 June 2020

	Note	Group [1,2,3] 30 Jun 20 $M	Group [1,2,3] 30 Jun 19 $M	Bank [1,3] 30 Jun 20 $M	Bank [1,3] 30 Jun 19 $M
Assets					
Cash and liquid assets	5.1	**44,165**	29,387	**40,300**	26,912
Receivables from financial institutions	5.2	**8,547**	8,093	**8,309**	7,334
Assets at fair value through Income Statement	5.3	**46,545**	33,677	**46,284**	33,128
Derivative assets	5.4	**30,285**	25,215	**29,322**	24,311
Investment securities:					
At amortised cost	5.5	**5,173**	7,355	**5,167**	7,349
At fair value through Other Comprehensive Income	5.5	**79,549**	78,912	**72,335**	73,212
Loans, bills discounted and other receivables	3.1	**771,547**	755,173	**677,268**	660,508
Shares in and loans to controlled entities	11.2	**–**	–	**66,792**	63,943
Property, plant and equipment	6.1	**5,602**	2,383	**4,051**	1,389
Investments in associates and joint ventures	11.1	**3,034**	3,001	**1,082**	1,017
Intangible assets	6.2	**6,944**	7,965	**3,951**	4,317
Deferred tax assets	2.5	**2,060**	1,675	**1,968**	1,570
Other assets	6.3	**8,839**	7,115	**6,917**	5,860
Assets held for sale	11.3	**1,770**	16,551	**1**	1
Total assets		**1,014,060**	976,502	**963,747**	910,851
Liabilities					
Deposits and other public borrowings	4.1	**701,999**	636,040	**631,301**	573,851
Payables to financial institutions	5.2	**16,429**	23,370	**15,350**	22,618
Liabilities at fair value through Income Statement	4.2	**4,397**	8,520	**3,888**	7,961
Derivative liabilities	5.4	**31,347**	22,777	**36,248**	26,654
Due to controlled entities		**–**	–	**53,072**	49,610
Current tax liabilities		**795**	326	**716**	129
Deferred tax liabilities	2.5	**30**	–	**30**	–
Provisions	7.1	**3,408**	2,968	**2,914**	2,554
Debt issues	4.3	**142,503**	164,022	**113,323**	131,094
Bills payable and other liabilities	7.2	**13,188**	10,068	**11,866**	8,687
Liabilities held for sale	11.3	**594**	15,796	**–**	–
		914,690	883,887	**868,708**	823,158
Loan capital	8.2	**27,357**	22,966	**26,964**	22,569
Total liabilities		**942,047**	906,853	**895,672**	845,727
Net assets		**72,013**	69,649	**68,075**	65,124
Shareholders' Equity					
Ordinary share capital	8.3	**38,131**	38,020	**38,180**	38,212
Reserves	8.3	**2,666**	3,092	**2,444**	3,813
Retained profits	8.3	**31,211**	28,482	**27,451**	23,099
Shareholders' Equity attributable to equity holders of the Bank		**72,008**	69,594	**68,075**	65,124
Non-controlling interests		**5**	55	**–**	–
Total Shareholders' Equity		**72,013**	69,649	**68,075**	65,124

1 Comparative information has been restated to conform to presentation in the current year and to reflect the changes in accounting policies detailed in Note 1.1.
2 Current year balances have been impacted by the announced disposals of AUSIEX and Colonial First State, completed disposals of CFSGAM, Count Financial, PT Commonwealth Life, and deconsolidation of CommInsure Life. For details on the Group's discontinued operations, refer to Note 11.3.
3 Current year balances reflect the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 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 2020

Group	Ordinary share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 30 June 2018	37,270	1,676	28,360	**67,306**	554	**67,860**
Change on adoption of AASB 9 and AASB 15	–	–	(955)	**(955)**	–	**(955)**
Restated opening balance	37,270	1,676	27,405	**66,351**	554	**66,905**
Net profit after income tax from continuing operations [1]	–	–	8,089	**8,089**	12	**8,101**
Net profit after income tax from discontinued operations [1]	–	–	482	**482**	7	**489**
Net Other Comprehensive Income from continuing operations [1]	–	1,566	(49)	**1,517**	–	**1,517**
Net Other Comprehensive Income from discontinued operations [1]	–	(17)	–	**(17)**	–	**(17)**
Total comprehensive income for the period	–	1,549	8,522	**10,071**	19	**10,090**
Transactions with equity holders in their capacity as equity holders: [2]						
Dividends paid on ordinary shares	–	–	(7,606)	**(7,606)**	–	**(7,606)**
Dividend reinvestment plan (net of issue costs)	748	–	–	**748**	–	**748**
Share-based payments	–	16	–	**16**	–	**16**
Purchase of treasury shares	(93)	–	–	**(93)**	–	**(93)**
Sale and vesting of treasury shares	95	–	–	**95**	–	**95**
Other changes	–	(149)	161	**12**	(518)	**(506)**
As at 30 June 2019	38,020	3,092	28,482	**69,594**	55	**69,649**
Change on adoption of AASB 16 [3]	–	–	(146)	**(146)**	–	**(146)**
Restated opening balance	38,020	3,092	28,336	**69,448**	55	**69,503**
Net profit after income tax from continuing operations	–	–	7,459	**7,459**	–	**7,459**
Net profit after income tax from discontinued operations	–	–	2,175	**2,175**	3	**2,178**
Net Other Comprehensive Income from continuing operations	–	394	116	**510**	–	**510**
Net Other Comprehensive Income from discontinued operations	–	(56)	–	**(56)**	–	**(56)**
Total comprehensive income for the period	–	338	9,750	**10,088**	3	**10,091**
Transactions with equity holders in their capacity as equity holders: [2]						
Dividends paid on ordinary shares	–	–	(7,629)	**(7,629)**	–	**(7,629)**
Dividend reinvestment plan (net of issue costs)	(1)	–	–	**(1)**	–	**(1)**
Share-based payments	–	(23)	–	**(23)**	–	**(23)**
Purchase of treasury shares	(65)	–	–	**(65)**	–	**(65)**
Sale and vesting of treasury shares	98	–	–	**98**	–	**98**
Decrease in treasury shares on deconsolidation of CommInsure Life	79	–	–	**79**	–	**79**
Other changes [4]	–	(741)	754	**13**	(53)	**(40)**
As at 30 June 2020	38,131	2,666	31,211	**72,008**	5	**72,013**

1 Information has been restated to reflect reclassification of Colonial First State as a discontinued operation during the current year.
2 Current year and prior year include discontinued operations.
3 The Group adopted AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16, the Group recognised the cumulative effect of initially applying the new requirements as an adjustment to opening Retained profits at 1 July 2019. Comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.
4 Includes $733 million transfer from General reserve to Retained profits.

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

Statements of Changes in Equity (continued)

For the year ended 30 June 2020

	Bank			
	Ordinary share capital $M	Reserves $M	Retained profits $M	Total Shareholders' Equity $M
As at 30 June 2018	37,533	2,568	23,819	**63,920**
Change on adoption of AASB 9 and AASB 15	–	–	(868)	**(868)**
Restated opening balance	37,533	2,568	22,951	**63,052**
Net profit after income tax from continuing operations	–	–	7,783	**7,783**
Net Other Comprehensive Income from continuing operations	–	1,244	(50)	**1,194**
Total comprehensive income for the period	–	1,244	7,733	**8,977**
Transactions with equity holders in their capacity as equity holders:				
Dividends paid on ordinary shares	–	–	(7,606)	**(7,606)**
Dividend reinvestment plan (net of issue costs)	748	–	–	**748**
Share-based payments	–	22	–	**22**
Purchase of treasury shares	(69)	–	–	**(69)**
Other changes	–	(21)	21	**–**
As at 30 June 2019	38,212	3,813	23,099	**65,124**
Change on adoption of AASB 16 [1]	–	–	(146)	**(146)**
Restated opening balance	38,212	3,813	22,953	**64,978**
Net profit after income tax from continuing operations	–	–	10,168	**10,168**
Net Other Comprehensive Income from continuing operations	–	498	115	**613**
Total comprehensive income for the period	–	498	10,283	**10,781**
Transactions with equity holders in their capacity as equity holders:				
Dividends paid on ordinary shares	–	–	(7,629)	**(7,629)**
Dividend reinvestment plan (net of issue costs)	(1)	–	–	**(1)**
Share-based payments	–	(23)	–	**(23)**
Purchase of treasury shares	(65)	–	–	**(65)**
Sale and vesting of treasury shares	34	–	–	**34**
Other changes [2]	–	(1,844)	1,844	**–**
As at 30 June 2020	38,180	2,444	27,451	**68,075**

1 The Bank adopted AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16, the Bank recognised the cumulative effect of initially applying the new requirements as an adjustment to opening Retained profits at 1 July 2019. Comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.

2 Includes $586 million transfer from General reserve and $1,254 million transfer from Capital reserve to Retained profits.

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

Statements of Cash Flows

For the year ended 30 June 2020

		Group [1, 2]			Bank [1]	
	Note	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 20 $M	30 Jun 19 $M
Cash flows from operating activities						
Interest received		**30,920**	34,757	35,801	**27,817**	32,366
Interest paid [3]		**(11,932)**	(15,695)	(15,356)	**(10,947)**	(16,743)
Other operating income received		**5,237**	5,808	6,181	**3,618**	3,971
Expenses paid [3]		**(9,749)**	(10,784)	(10,340)	**(9,228)**	(9,693)
Income taxes paid		**(3,171)**	(4,878)	(4,791)	**(2,728)**	(4,453)
Net (outflows)/inflows from assets at fair value through Income Statement (excluding insurance)		**(4,009)**	2,482	5,270	**(2,668)**	6,915
Net inflows/(outflows) from liabilities at fair value through Income Statement:						
Insurance:						
Investment income		**198**	340	225	**–**	–
Premiums received [4]		**1,135**	2,414	3,241	**–**	–
Policy payments and commission expense [4]		**(2,087)**	(3,061)	(3,453)	**–**	–
Other liabilities at fair value through Income Statement		**(4,312)**	126	(208)	**(3,963)**	(410)
Cash flows from operating activities before changes in operating assets and liabilities		**2,230**	11,509	16,570	**1,901**	11,953
Changes in operating assets and liabilities arising from cash flow movements						
Movement in investment securities:						
Purchases		**(42,088)**	(41,925)	–	**(38,397)**	(39,020)
Proceeds		**44,358**	43,239	–	**43,099**	39,556
Movement in available-for-sale investments:						
Purchases		**–**	–	(51,783)	**–**	–
Proceeds		**–**	–	52,832	**–**	–
Net increase in loans, bills discounted and other receivables		**(20,386)**	(9,465)	(16,105)	**(17,745)**	(4,585)
Net (increase)/decrease in receivables from financial institutions		**(584)**	1,345	884	**(1,069)**	1,210
Net (increase)/decrease in securities purchased under agreements to resell		**(4,126)**	930	9,258	**(4,753)**	933
Insurance business:						
Purchase of insurance assets at fair value through Income Statement		**(903)**	(1,383)	(1,594)	**–**	–
Proceeds from sales and maturities of insurance assets at fair value through Income Statement		**1,415**	2,512	2,671	**–**	–
Net (increase)/decrease in other assets		**(1,560)**	525	(11)	**(449)**	524
Net increase/(decrease) in deposits and other public borrowings		**69,214**	4,891	(876)	**59,334**	1,949
Net (decrease)/increase in payables to financial institutions		**(6,970)**	2,154	(8,279)	**(7,257)**	2,319
Net (decrease)/increase in securities sold under agreements to repurchase		**(2,222)**	4,402	(1,574)	**(2,131)**	4,408
Net increase/(decrease) in other liabilities		**482**	(648)	(884)	**547**	(137)
Changes in operating assets and liabilities arising from cash flow movements		**36,630**	6,577	(15,461)	**31,179**	7,157
Net cash provided by operating activities	12.2 (a)	**38,860**	18,086	1,109	**33,080**	19,110

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 Includes cash outflows due to lease payments, under AASB 16 *Leases*, which was implemented on 1 July 2019. As permitted by AASB 16 comparative information has not been restated.

4 Represents gross premiums and policy payments before splitting between policyholders and shareholders.

Statements of Cash Flows (continued)

For the year ended 30 June 2020

	Note	Group [1, 2] 30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	Bank [1] 30 Jun 20 $M	30 Jun 19 $M
Cash flows from investing activities						
Cash inflows from acquisitions		**–**	–	26	**–**	–
Net proceeds from disposal of entities and businesses (net of cash disposed of)		**5,011**	1,259	–	**–**	–
Dividends received		**95**	141	68	**4,809**	1,473
Net amounts paid to controlled entities [3]		**–**	–	–	**(789)**	(1,906)
Proceeds from sales of property, plant and equipment		**200**	151	155	**26**	89
Purchases of property, plant and equipment		**(910)**	(326)	(477)	**(238)**	(271)
Net cash flows from (acquisitions)/sales of associates and joint ventures		**(18)**	72	(271)	**–**	29
Net purchase of intangible assets		**(682)**	(314)	(503)	**(529)**	(597)
Net cash provided by/(used in) investing activities		**3,696**	**983**	**(1,002)**	**3,279**	**(1,183)**
Cash flows from financing activities						
Dividends paid (excluding Dividend Reinvestment Plan)		**(7,629)**	(6,853)	(5,366)	**(7,629)**	(6,853)
Redemption of other equity instruments		**–**	(505)	–	**–**	–
Proceeds from issuance of debt securities		**37,630**	56,448	68,273	**32,889**	46,685
Redemption of debt securities		**(64,661)**	(73,747)	(67,809)	**(55,706)**	(63,343)
Purchases of treasury shares		**(65)**	(93)	(95)	**(65)**	(69)
Sales of treasury shares		**93**	22	55	**–**	–
Proceeds from issuance of loan capital		**5,849**	1,579	4,445	**5,845**	1,571
Redemption of loan capital		**(2,871)**	(2,637)	(464)	**(2,876)**	(2,263)
Payments for the principal portion of lease liabilities		**(463)**	–	–	**(428)**	–
Other		**(115)**	47	27	**33**	(70)
Net cash used in financing activities		**(32,232)**	**(25,739)**	**(934)**	**(27,937)**	**(24,342)**
Net increase/(decrease) in cash and cash equivalents		**10,324**	(6,670)	(827)	**8,422**	(6,415)
Effect of foreign exchange rates on cash and cash equivalents		**17**	675	715	**54**	598
Cash and cash equivalents at beginning of year		**17,010**	23,005	23,117	**15,534**	21,351
Cash and cash equivalents at end of year	12.2 (b)	**27,351**	**17,010**	**23,005**	**24,010**	**15,534**

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 paid to controlled entities are presented in line with how they are managed and settled.

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

Notes to the financial statements

For the year ended 30 June 2020

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 2020, was approved and authorised for issue by the Board of Directors on 12 August 2020. 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 and includes a long-term partnership with AIA for the provision of life insurance products to customers in New Zealand.

On 23 May 2018, the Group announced the sale of its 37.5% equity interest in BoCommLife Insurance Company Limited (BoCommLife) to MS&AD Insurance Group Holdings (MS&AD)[1], which is subject to Chinese regulatory approvals. The sale is expected to complete in the second half of calendar year 2020.

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.

On 2 August 2019, the Group completed the sale of CFSGAM to Mitsubishi UFJ Trust and Banking Corporation (MUTB).

On 1 October 2019, the Group completed the sale of its 100% interest in Count Financial Limited (Count Financial) to CountPlus Limited (CountPlus).

On 1 November 2019, the Group announced the implementation of a joint cooperation agreement (JCA) which resulted in the full economic interests associated with CommInsure Life being transferred to AIA, and AIA obtaining direct management and control of the business (excluding the Group's 37.5% equity interest in BoCommLife). As a result, CommInsure Life (excluding BoCommLife) was deconsolidated and derecognised on 1 November 2019. The aggregate proceeds are being received in instalments.

The Group and AIA remain fully committed to completing the divestment of CommInsure Life through either a share sale or a statutory asset transfer. In the event of a share sale, the divestment is expected to complete shortly following the completion of the sale of the Group's 37.5% equity interest in BoCommLife. In the event of a statutory asset transfer, the divestment is expected to complete in the first half of calendar year 2021.

On 28 April 2020, the Group announced the sale of its subsidiary, Australian Investment Exchange Limited (AUSIEX), to Nomura Research Institute (NRI). The sale is subject to regulatory and other conditions, and is expected to complete in the first half of calendar year 2021.

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

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

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

CFS, CommInsure Life, BoCommLife, CFSGAM and PTCL have been classified as discontinued operations in the Group's financial statements for the year ended 30 June 2020. The assets and liabilities of CFS, AUSIEX and the Group's interest in BoCommLife are classified as held for sale as at 30 June 2020.

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

Basis of accounting

The Financial Report:

- is a general purpose financial report;
- has been prepared in accordance with the Australian Accounting interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth);
- is presented in Australian dollars, which is the Bank's functional and presentation currency, with all values rounded to the nearest million dollars ($M) in accordance with ASIC Corporations Instrument 2016/191 unless otherwise indicated;
- includes foreign currency transactions that are translated into the functional currency, using the exchange rates prevailing at the date of each transaction;

1 MS&AD Insurance Group Holdings is the ultimate parent company of Mitsui Sumitomo Insurance Co. Ltd.

Notes to the financial statements
For the year ended 30 June 2020

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

Basis of accounting (continued)

- 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.

Impact of coronavirus (COVID-19)

Background

The COVID-19 pandemic and the measures undertaken to contain it have dramatically changed the global economic outlook, causing large-scale economic disruption and pronounced volatility in financial markets. The market disruption is expected to lead to rising levels of unemployment, elevated levels of credit losses from business insolvencies and higher consumer defaults. In an attempt to mitigate the economic effect of the COVID-19 pandemic, governments, prudential regulators and central banks have offered significant fiscal, regulatory and monetary support to allow businesses to remain liquid and solvent, and to support retail customers. The extent to which these efforts will reduce the adverse financial effects of the COVID-19 pandemic remains uncertain.

Consideration of the financial statements and further disclosures

The Group has carefully considered the impact of COVID-19 in preparing its financial statements for the year ended 30 June 2020. The key impacts on the financial statements, including the application of critical estimates and judgements, are as follows:

Loans, bills discounted and other receivables

The Group has introduced a number of support measures for customers impacted by COVID-19, which include loan repayment deferrals to retail and small business customers, and the origination of loans under the Government's Small and Medium Enterprises (SME) guarantee scheme. The repayment deferral arrangements were deemed continuations of customers' existing loans and were therefore accounted for as non-substantial loan modifications. A total modification loss of $6 million was recognised in relation to repayment deferrals on home loans, where interest over the deferral period was charged on a simple interest, rather than compounding basis. No other modification gains or losses were recognised as a result of the repayment deferrals. Refer to Note 3.1 and 3.2.

Provisions for impairment

In March 2020, the IASB published *IFRS 9 and COVID-19,* a document which highlights the requirements within IFRS 9 *Financial Instruments* relevant to the impact of COVID-19 on the recognition of expected credit losses. The publication reinforces the fact that IFRS 9 does not provide a mechanistic approach in accounting for impairment provisions.

In assessing forecast conditions, the Group has incorporated the effects of COVID-19 and government support measures on a reasonable and supportable basis. The AASB 9 impairment methodology, and the definition of default have remained consistent with prior periods. Forward looking adjustments have been determined based on a range of plausible economic and industry stress factors, taking into account the mitigating impacts of government and industry assistance packages, including loan repayment deferral arrangements. Stress testing has formed the basis for ongoing re-assessments of provisioning levels as the situation evolves. The circumstances are unique in that many of the deferred loans were performing prior to COVID-19, and either continue to perform, or have genuine prospects of recovery once government restrictions are eased and lockdowns are discontinued. COVID-19 repayment deferrals were not borrower specific, but rather addressed to broad ranges of customers, and have therefore not been classified automatically as Stage 2 loans. Refer to Note 3.2 and 9.2.

Fair value measurement

The Group has considered the impact of economic and market disruptions on fair value measurement assumptions and the appropriateness of the valuation inputs. These included valuation adjustments, notably credit valuation adjustments (CVA), and funding valuation adjustments (FVA). The Group has also considered the impact of COVID-19 on the classification of exposures in the fair value hierarchy. There was a reduction in the availability of quoted prices for certain Investment securities at fair value through other comprehensive income and trading securities during the current reporting period. This resulted in a transfer of $16,777 million of Investment securities at fair value through other comprehensive income and $4,979 million of trading securities from Level 1 to Level 2 since their fair values ceased to be determined by using unadjusted quoted prices. There were no other material transfers of financial instruments between levels within the fair value hierarchy as a consequence of COVID-19. Refer to Note 9.5.

Assessment of impairment of non-financial assets

The Group tested goodwill and indefinite life intangible assets for impairment, updating the assumptions, and cash flow forecasts, where relevant, to reflect the potential impact of COVID-19. No impairment losses were recognised on these assets.

The Group assessed Property, plant and equipment, right-of-use assets, and assets held as lessor for indicators of impairment. Severe disruption to the aviation sector caused by international travel bans was deemed an indicator of impairment, and therefore required aircraft held by the Group as lessor to be tested for impairment. A total impairment loss of $81 million was recognised in Other banking income relating to aircraft leased to financially distressed airlines, where the assets were considered likely to be repossessed, or where the leases were close to expiry. Lower demand for used aircraft and a decline in asset prices resulted in a reduction in these assets' expected recoverable values below their carrying values. There remains significant uncertainty regarding the severity of the impact of COVID-19 on the aviation sector, and the duration of restrictions on domestic and international travel. Refer to Notes 6.1. and 6.2.

Notes to the financial statements
For the year ended 30 June 2020

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

Leases

The Group assumes 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. Severe disruption to the global shipping market resulted in a $17 million reduction in the estimated residual values in relation to the lease of shipping vessels. This was recognised as an immediate loss in Net interest income.

In June 2020, AASB 16 *Leases* was amended to provide lessees with an exemption from the requirement to determine whether a COVID-19 related rent concession is a lease modification. While the Group did not receive rent concessions, it elected to early adopt the amendments in the 2020 financial year.

Hedge accounting

The Group has considered the impact of COVID-19 on its existing hedges, and whether they continue to meet the criteria for hedge accounting. In most cases, the hedged future cash flows remained highly probable. The Group reassessed the forecast sales of particular aircraft and expected future lease payments, which due to disruption in the aviation sector, were no longer considered to be highly probable within the designated time period. The hedging relationships were therefore discontinued and a loss of $11 million was reclassified from the Cash flow hedge reserve to Other banking income. The repayment deferrals granted to retail and SME customers did not impact the Group's cash flow hedges. Refer to Note 5.4.

Receivables from and payables to financial institutions

On 19 March 2020, the Reserve Bank of Australia (RBA) announced a Term Funding Facility (TFF) for ADIs, to support lending to Australian businesses. The TFF is a three year facility with a fixed interest rate of 0.25% per annum. The funding is collateralised by residential mortgage-backed securities issued by the Group. The TFF is initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. As at 30 June 2020, the carrying value of the TFF was $1,500 million. Refer to Note 5.2.

Events subsequent to reporting date

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

Changes in comparatives

Discontinued operations

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

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

Re-segmentation

During the year ended 30 June 2020, the Group made the following structural changes to its operating segments:

- enhancing the classification of its business banking portfolios which resulted in a transfer of some customers from Retail Banking Services to Business and Private Banking and Institutional Banking and Markets;
- Aligned Advice related businesses (including Financial Wisdom Limited, Count Financial Limited and Commonwealth Financial Planning Limited-Pathways) were transferred out of the Wealth Management division and consolidated into the Retail Banking Services division; and
- other re-segmentations, allocations and reclassifications, including refinements to the allocation of support unit and other costs.

These changes have not impacted the Group's net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments. These changes have been applied retrospectively.

Changes in accounting policies

Adoption of AASB16 *Leases*

On 1 July 2019, the Group adopted AASB 16 *Leases*, replacing 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 introduced a single accounting model for recognising and measuring lease arrangements. Lessor accounting remains largely unchanged from the previous standard. Under lessee accounting, AASB 16 requires all leases to be recognised on the Balance Sheet, as a lease liability and right-of-use asset, unless the underlying asset is of low value or the lease has a term of 12 months or less. The total lease expense recognised over the life of the lease remains unchanged as compared to AASB 117, however the timing of expense recognition changes. A higher expense is 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.

Notes to the financial statements

For the year ended 30 June 2020

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

Lease liability

Lease liabilities are initially measured at the net present value of the following lease payments (if applicable):

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in the above. Lease liabilities are measured at amortised cost using the effective interest method. Interest is recognised as part of Interest expense in the Income Statement.

Right-of-use asset

Right-of-use assets are initially measured at cost comprising the following:

- the initial amount of the lease liability measured at the present value of the future lease payments;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- an estimate of the costs to be incurred upon disassembling or restoring the underlying asset to the condition required by the terms of the lease.

The right-of-use asset is depreciated over the lease term on a straight-line basis.

Determining the lease term

Extension options are included in a number of leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Group.

Excluded leases

A scope exemption has been applied to short-term leases with a lease term of 12 months or less, and low value leases. These continue to be expensed on a straight-line basis.

Impact of AASB 16

The Group has adopted AASB 16 on a modified retrospective basis without restating prior periods. Under the modified retrospective approach, the Group elected to measure the right-of-use asset at the same amount as the lease liability, except for larger property leases where the Group elected to measure the right-of-use asset on a retrospective basis. This resulted in a decrease in the Group's Retained profits on transition of $146 million, net of tax. (Bank: $146 million, net of tax).

The Group applied the following practical expedients on transition to AASB 16, as permitted by the standard, where the Group is a lessee in a lease previously classified as an operating lease:

- reliance on assessments performed under AASB 117 of whether a lease contract is onerous;
- adjusting lease terms for extension or termination options which are reasonably certain of being exercised with the benefit of hindsight;
- excluding from the right-of-use asset any initial direct costs incurred prior to 1 July 2019; and
- accounting for leases whose remaining term will end within 12 months from the transition date of 1 July 2019 as short-term leases.

The impact of adopting AASB 16 on the Group's and the Bank's Balance Sheets at 1 July 2019 is as follows:

	Group $M	Bank $M
Opening retained profits at 1 July 2019	**28,482**	**23,099**
Right-of-use assets	2,659	2,385
Net deferred tax asset	60	60
Lease liabilities	(2,730)	(2,470)
Provision for lease restoration obligations	(135)	(121)
Net impact on retained profits	**(146)**	**(146)**
Adjusted retained profits at 1 July 2019	**28,336**	**22,953**

Upon transition, judgement has been applied by the Group in assessing which arrangements contain a lease, the period over which the lease exists and the variability of future cash flows.

Lease liabilities are presented within Bills payable and other liabilities and right-of-use assets are presented within Property, plant and equipment. Provisions for lease restoration obligations are included within Provisions. The depreciation charge for right-of-use assets is presented within Depreciation of Property, plant and equipment. The interest charge on lease liabilities is presented within Interest expense.

Notes to the financial statements

For the year ended 30 June 2020

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

The following table reconciles the operating lease commitments disclosed under AASB 117 as at 30 June 2019 to the opening lease liabilities recognised under AASB 16 as at 1 July 2019.

	Group $M	Bank $M
Operating lease commitments as at 30 June 2019 under AASB 117	**4,078**	**3,760**
Increase in the lease term for extension options	566	536
Inclusion of technology contracts not recognised as a lease under AASB 117	71	71
Exclusion of leases with a remaining term of less than one year and low value leases	(96)	(92)
Exclusion of service components	(738)	(738)
Exclusion of operating lease commitments regarding contracts not yet commenced	(610)	(610)
Exclusion of GST	(274)	(226)
Total undiscounted lease payments	**2,997**	**2,701**
Effect of discounting at a weighted average incremental borrowing rate of 2.8%	(267)	(231)
Total lease liabilities as at 1 July 2019 under AASB 16	**2,730**	**2,470**
Provision for lease restoration obligations	135	121
Total liabilities recognised on adoption of AASB 16	**2,865**	**2,591**

Adoption of interpretations and amendments to existing standards

AASB Interpretation 23 *Uncertainty over Income Tax Treatments* (Interpretation 23)

Interpretation 23 clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* 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. The previous recognition and measurement requirements applied by the Group are aligned with Interpretation 23 and hence no transition adjustment to retained earnings was required.

Other amendments

The following amendments to existing standards were adopted during the current year but did not have an impact on the Group:

- AASB 128 *Investments in Associates and Joint Ventures* was amended to clarify that an entity should first apply the measurement and expected credit loss requirements of AASB 9 to its long-term debt investments that form part of the net investment in an equity accounted investee, before applying the loss allocation and impairment requirements of AASB 128; and
- AASB 119 *Employee Benefits* was amended to specify the treatment of a plan amendment, curtailment or settlement that occurs during a reporting period. An entity should use the assumptions applied in the remeasurement of the net defined benefit liability or asset when determining the current service cost and the net interest in the period following the plan event.

Other minor amendments to existing standards were adopted in the current reporting period.

Commodity financing transactions

During the financial year ended 30 June 2020, the Group amended its accounting policy in respect of certain short-term commodity financing transactions, which are not clearly captured within the scope of any accounting standard. The Group reclassified a portfolio of physical commodities, previously accounted for as inventories under AASB 102 *Inventories*, to loans designated at fair value through profit or loss under AASB 9. Significant judgement has been applied in assessing whether control of the commodities transfers to the Group on inception of the transaction. In line with evolving technical interpretation of the accounting requirements for commodity transactions, it has been determined that control of the commodities does not transfer to the Group. The transactions are therefore more fairly presented as loans. The change has been applied retrospectively and impacted the prior year financial statements of both the Group and the Bank, as follows:

- an increase in Interest income, and a corresponding decrease in Other banking income, for the year ended 30 June 2019 of $121 million (30 June 2018: $128 million); and
- an increase in Commodities financing and other lending, and a corresponding decrease in Commodities, presented within Assets at fair value through income statement, as at 30 June 2019 of $6,854 million (30 June 2018: $7,353 million).

Where relevant, comparative information has been restated. All changes have been footnoted throughout the financial statements.

Notes to the financial statements
For the year ended 30 June 2020

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

Intergroup transactions with consolidated special purpose entities

During the financial year ended 30 June 2020, the Group amended its accounting policy in respect of certain intergroup positions with consolidated securitisation vehicles where it holds all of the issued instruments of the securitisation vehicle. The transactions between the entities will no longer be accounted for as imputed loan liabilities, and debt securities held by the Bank. The revised treatment more fairly represents the economic substance of the arrangement and therefore provides more reliable and relevant information. There has been no change to the consolidated financial statements of the Group as a result of this accounting policy change. The change has been applied retrospectively and impacted the prior year financial statements of the Bank as follows:

- a decrease in Shares in and loans to controlled entities as at 30 June 2019 of $56,250 million (30 June 2018: $56,250 million);
- a decrease in Due to controlled entities as at 30 June 2019 of $56,164 million (30 June 2018: $56,173 million);
- a decrease in Other assets as at 30 June 2019 of $50 million (30 June 2018: $61 million);
- a decrease in Bills payable and other liabilities as at 30 June 2019 of $136 million (30 June 2018: $138 million);
- a decrease in Interest income for the year ended 30 June 2019 of $1,967 million;
- a decrease in Interest expense for the year ended 30 June 2019 of $1,971 million; and
- a decrease in Other banking income for the year ended 30 June 2019 of $4 million.

Where relevant, comparative information has been restated. All changes have been footnoted throughout the financial statements.

Notes to the financial statements
For the year ended 30 June 2020

2. Our performance

OVERVIEW

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

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

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

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

2.1 Net interest income

	Group [1, 2, 3]			Bank [2, 3]	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 20 $M	30 Jun 19 $M
Interest income					
Effective interest income:					
Loans and bills discounted [4]	**28,144**	31,449	31,315	**24,830**	27,744
Other financial institutions	**110**	181	140	**105**	171
Cash and liquid assets	**356**	572	459	**335**	528
Investment securities:					
At amortised cost	**114**	199	–	**114**	199
At fair value through Other Comprehensive Income	**1,002**	1,688	–	**911**	1,559
Available-for-sale investments	**–**	–	1,729	**–**	–
Controlled entities	**–**	–	–	**356**	752
Total effective interest income	**29,726**	34,089	33,643	**26,651**	30,953
Other:					
Assets at fair value through Income Statement	**436**	620	629	**436**	620
Controlled entities	**–**	–	–	**49**	40
Total other interest income	**436**	620	629	**485**	660
Total interest income	**30,162**	34,709	34,272	**27,136**	31,613
Interest Expense					
Deposits	**7,304**	9,965	9,848	**5,851**	8,394
Other financial institutions	**391**	464	418	**382**	435
Liabilities at fair value through Income Statement	**74**	172	167	**66**	162
Debt issues	**2,529**	4,563	4,169	**1,877**	3,625
Loan capital	**825**	951	836	**811**	917
Lease liabilities	**71**	–	–	**63**	–
Bank levy	**358**	370	369	**358**	370
Controlled entities	**–**	–	–	**1,252**	1,531
Total interest expense	**11,552**	16,485	15,807	**10,660**	15,434
Net interest income	**18,610**	18,224	18,465	**16,476**	16,179

1 Information has been restated and presented on a continuing operations basis.
2 Current year amounts reflect the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.
3 Information has been restated to conform to presentation in the current year and to reflect the changes in accounting policies detailed in Note 1.1.
4 Includes $17 million loss from the reduction in estimated residual values in relation to leases of shipping vessels. The loss was driven by the severe disruption to the global shipping market as a result of COVID-19.

Notes to the financial statements
For the year ended 30 June 2020

2.1 Net interest income (continued)

ACCOUNTING POLICIES

Interest income and interest expense on financial assets and liabilities measured at amortised cost, and debt financial assets measured at fair value through OCI, are recognised using the effective interest rate method. Interest income is calculated on financial assets classified within Stage 1 and Stage 2 by applying the effective interest rate to the gross carrying amount of the assets. Interest income on financial assets in Stage 3 is recognised by applying the effective interest rate to the gross carrying amount net of provisions for impairment. 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.

Interest income and expense on financial assets and liabilities that are classified at fair value through the Income Statement are accounted for on a contractual rate basis and include amortisation of premium/discounts. 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.

Notes to the financial statements
For the year ended 30 June 2020

2.2 Average balances and related interest

The following tables have been produced using statutory Balance Sheet and Income Statement categories. The tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the full years ended 30 June 2020, 30 June 2019 and 30 June 2018. Averages were predominately daily averages. Interest is accounted for based on product yield. Where assets or liabilities are hedged, the amounts are shown net of the hedge, but individual items not separately hedged may be affected by movements in exchange rates and interest rates. The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Non-accrual loans are included in interest earning assets under Loans, bills discounted and other receivables. The official cash rate in Australia has decreased 100 basis points on a spot basis, while in New Zealand the official cash rate has decreased 125 basis points on a spot basis during the financial year ended 30 June 2020 (2019: 25 basis points decrease for both Australia and New Zealand on a spot basis, 2018: no changes).

	Group [1,2]								
	30 Jun 20			30 Jun 19			30 Jun 18		
Interest earning assets	Average balance $M	Interest $M	Average rate %	Average balance $M	Interest $M	Average rate %	Average balance $M	Interest $M	Average rate %
Cash and liquid assets									
Australia	**23,468**	**244**	**1.0**	18,415	367	2.0	19,087	313	1.6
Overseas	**22,539**	**112**	**0.5**	20,238	205	1.0	18,898	146	0.8
Receivables from financial institutions									
Australia	**2,461**	**38**	**1.5**	2,095	52	2.5	2,290	50	2.2
Overseas	**6,420**	**72**	**1.1**	5,799	129	2.2	5,997	90	1.5
Assets at fair value through Income Statement (excluding life insurance)									
Australia	**34,237**	**422**	**1.2**	31,895	609	1.9	28,381	572	2.0
Overseas	**2,070**	**14**	**0.7**	822	11	1.3	4,070	57	1.4
Investment Securities:									
At amortised cost									
Australia	**6,272**	**114**	**1.8**	6,887	199	2.9	–	–	–
Overseas	**6**	**–**	**0.6**	5	–	0.6	–	–	–
At fair value through OCI									
Australia	**56,929**	**716**	**1.3**	57,088	1,329	2.3	–	–	–
Overseas	**19,996**	**286**	**1.4**	18,640	359	1.9	–	–	–
Available-for-sale investments									
Australia	**–**	**–**	**–**	–	–	–	66,241	1,479	2.2
Overseas	**–**	**–**	**–**	–	–	–	17,011	250	1.5
Loans, bills discounted and other receivables [3]									
Australia [4]	**614,980**	**23,563**	**3.8**	603,394	26,524	4.4	597,343	26,711	4.5
Overseas	**108,031**	**4,581**	**4.2**	106,140	4,925	4.6	102,566	4,604	4.5
Total interest earning assets and interest income	**897,409**	**30,162**	**3.4**	871,418	34,709	4.0	861,884	34,272	4.0

1 Information has been restated and presented on a continuing operations basis.
2 Comparative information has been restated to conform to presentation in the current year.
3 Loans, bills discounted and other receivables include bank acceptances.
4 Net of average mortgage offset balances that are included in Non-interest earning assets. Mortgage offset balance is $48,807 million (30 June 2019: $45,175 million, 30 June 2018: $40,824 million). While the balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the Group's net interest margin.

Notes to the financial statements

For the year ended 30 June 2020

2.2 Average balances and related interest (continued)

	Group [1]		
	30 Jun 20	30 Jun 19	30 Jun 18
	Average balance	Average balance	Average balance
Non-interest earning assets	$M	$M	$M
Assets at fair value through Income Statement - Insurance [2]			
Australia	–	–	–
Overseas	–	–	377
Property, plant and equipment [3]			
Australia	4,577	2,208	2,344
Overseas	597	244	252
Other assets			
Australia [4]	86,398	79,169	87,901
Overseas	10,236	10,175	11,924
Provisions for impairment			
Australia	(4,561)	(4,026)	(3,203)
Overseas	(613)	(599)	(466)
Total non-interest earning assets	96,634	87,171	99,129
Assets held for sale [2]			
Australia	5,043	15,128	13,046
Overseas	691	1,829	2,228
Total assets	999,777	975,546	976,287
Percentage of total assets applicable to overseas operations (%)	17.0	16.7	16.7

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

2 During the years ended 30 June 2020 and 30 June 2019, Insurance assets of CommInsure Life and PT Commonwealth Life are presented as Assets held for sale. During the year ended 30 June 2018, Insurance assets of CommInsure Life and Sovereign are presented as Assets held for sale.

3 Current period amounts reflect the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.

4 For the purpose of reconciling to total average assets, other assets include average mortgage offset balances of $48,807 million (30 June 2019: $45,175 million, 30 June 2018: $40,824 million) as these balances were excluded from average loans and interest earning assets.

Notes to the financial statements

For the year ended 30 June 2020

2.2 Average balances and related interest (continued)

	Group [1, 2]								
	30 Jun 20			30 Jun 19			30 Jun 18		
Interest bearing liabilities	Average balance $M	Interest $M	Average rate %	Average balance $M	Interest $M	Average rate %	Average balance $M	Interest $M	Average rate %
Time deposits									
Australia [3]	192,671	3,896	2.0	203,750	5,181	2.5	203,694	5,043	2.5
Overseas	56,599	1,589	2.8	53,836	1,746	3.2	51,291	1,532	3.0
Savings deposits									
Australia [3]	160,031	950	0.6	144,686	1,588	1.1	146,346	1,812	1.2
Overseas	15,655	146	0.9	14,335	167	1.2	14,414	205	1.4
Other demand deposits									
Australia	126,355	601	0.5	114,193	1,151	1.0	112,195	1,120	1.0
Overseas	9,910	122	1.2	8,765	132	1.5	8,136	136	1.7
Payables to financial institutions									
Australia	10,659	164	1.5	8,852	221	2.5	10,292	196	1.9
Overseas	14,258	227	1.6	12,709	243	1.9	16,648	222	1.3
Liabilities at fair value through Income Statement									
Australia	5,090	66	1.3	9,372	162	1.7	7,557	141	1.9
Overseas	700	8	1.1	1,054	10	0.9	1,332	26	2.0
Debt issues [4]									
Australia	129,461	2,106	1.6	140,447	3,846	2.7	138,666	3,463	2.5
Overseas	23,499	423	1.8	26,676	717	2.7	28,450	706	2.5
Loan capital									
Australia	18,066	608	3.4	15,655	668	4.3	13,788	556	4.0
Overseas	6,439	217	3.4	6,785	283	4.2	6,774	280	4.1
Lease liabilities [5]									
Australia	2,232	60	2.7	–	–	–	–	–	–
Overseas	357	11	3.1	–	–	–	–	–	–
Bank levy									
Australia	–	358	–	–	370	–	–	369	–
Overseas	–	–	–	–	–	–	–	–	–
Total interest bearing liabilities and interest expense	771,982	11,552	1.5	761,115	16,485	2.2	759,583	15,807	2.1

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

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

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

4 Debt issues include bank acceptances.

5 Current period amounts reflect the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.

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Notes to the financial statements
For the year ended 30 June 2020

2.2 Average balances and related interest (continued)

	Group		
	30 Jun 20	30 Jun 19	30 Jun 18
	Average balance	Average balance	Average balance
Non-interest bearing liabilities	$M	$M	$M
Deposits not bearing interest			
Australia [1]	**105,261**	91,316	83,949
Overseas	**6,301**	4,897	4,193
Insurance policy liabilities			
Australia	**–**	–	–
Overseas	**–**	–	466
Other liabilities			
Australia	**29,134**	25,532	37,250
Overseas	**11,193**	9,430	10,255
Total non-interest bearing liabilities	**151,889**	131,175	136,113
Liabilities held for sale			
Australia	**4,515**	13,855	13,413
Overseas	**502**	1,025	1,308
Total liabilities	**928,888**	907,170	910,417
Shareholders' Equity	**70,889**	68,376	65,870
Total liabilities and Shareholders' Equity	**999,777**	975,546	976,287
Percentage of total liabilities applicable to overseas operations (%)	**15. 7**	15. 4	15. 7

1 Includes average mortgage offset balance.

Notes to the financial statements
For the year ended 30 June 2020

2.2 Average balances and related interest (continued)

Changes in Net interest income: volume and rate analysis

The following tables show the movement in interest income and expense due to changes in volume and interest rates. Volume variances reflect the change in interest from the prior year due to movement in the average balance. Rate variances reflect the change in interest from the prior year due to changes in interest rates. Volume and rate variance for total interest earning assets and interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

	June 2020 vs June 2019			June 2019 vs June 2018 [1,2]		
Changes in net interest income:	Volume	Rate	Total	Volume	Rate	Total
Volume and rate analysis	$M	$M	$M	$M	$M	$M
Interest earning assets						
Cash and liquid assets						
Australia	**53**	**(176)**	**(123)**	(13)	67	54
Overseas	**11**	**(104)**	**(93)**	14	45	59
Receivables from financial institutions						
Australia	**6**	**(20)**	**(14)**	(5)	7	2
Overseas	**7**	**(64)**	**(57)**	(4)	43	39
Assets at fair value through Income Statement (excluding life insurance)						
Australia	**29**	**(216)**	**(187)**	67	(30)	37
Overseas	**8**	**(5)**	**3**	(43)	(3)	(46)
Investment securities: [3]						
Australia	**(10)**	**(687)**	**(697)**	(54)	103	49
Overseas	**19**	**(93)**	**(74)**	31	78	109
Loans, bills discounted and other receivables						
Australia	**444**	**(3,405)**	**(2,961)**	266	(453)	(187)
Overseas	**80**	**(424)**	**(344)**	166	155	321
Changes in interest income	**874**	**(5,421)**	**(4,547)**	380	57	437
Interest bearing liabilities and loan capital						
Time deposits						
Australia	**(224)**	**(1,061)**	**(1,285)**	1	137	138
Overseas	**78**	**(235)**	**(157)**	83	131	214
Savings deposits						
Australia	**91**	**(729)**	**(638)**	(18)	(206)	(224)
Overseas	**12**	**(33)**	**(21)**	(1)	(37)	(38)
Other demand deposits						
Australia	**58**	**(608)**	**(550)**	20	11	31
Overseas	**14**	**(24)**	**(10)**	9	(13)	(4)
Payables to financial institutions						
Australia	**28**	**(85)**	**(57)**	(36)	61	25
Overseas	**25**	**(41)**	**(16)**	(75)	96	21
Liabilities at fair value through Income Statement						
Australia	**(56)**	**(40)**	**(96)**	31	(10)	21
Overseas	**(4)**	**2**	**(2)**	(3)	(13)	(16)
Debt issues						
Australia	**(179)**	**(1,561)**	**(1,740)**	49	334	383
Overseas	**(57)**	**(237)**	**(294)**	(48)	59	11
Loan capital						
Australia	**81**	**(141)**	**(60)**	80	32	112
Overseas	**(12)**	**(54)**	**(66)**	–	3	3
Lease liabilities						
Australia	**60**	**–**	**60**	–	–	–
Overseas	**11**	**–**	**11**	–	–	–
Bank levy						
Australia	**–**	**(12)**	**(12)**	–	1	1
Overseas	**–**	**–**	**–**	–	–	–
Changes in interest expense	**163**	**(5,096)**	**(4,933)**	33	645	678
Changes in net interest income	**539**	**(153)**	**386**	199	(440)	(241)

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 fair value through other comprehensive income and Investment securities at amortised cost have been compared to available-for-sale assets in the prior period.

Notes to the financial statements

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2.3 Other operating income

	Group [1, 2]			Bank [2]	
	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 20	30 Jun 19
	$M	$M	$M	$M	$M
Other banking income					
Commissions	**2,557**	2,677	2,716	**2,148**	2,277
Lending fees	**986**	992	1,109	**904**	922
Trading income	**940**	853	897	**822**	753
Net gain/(loss) on non-trading financial instruments [3]	**139**	(113)	58	**29**	(205)
Net gain/(loss) on sale of property, plant and equipment	**32**	(9)	(17)	**11**	(11)
Net (loss)/gain from hedging ineffectiveness	**(14)**	13	12	**(93)**	16
Dividends - Controlled entities [4]	**–**	–	–	**4,721**	1,229
Dividends - Other	**3**	5	10	**88**	122
Share of profit from associates and joint ventures net of impairment	**170**	296	317	**49**	27
Other [5, 6]	**189**	163	197	**475**	789
Total other banking income	**5,002**	4,877	5,299	**9,154**	5,919
Funds management income	**196**	292	330	**–**	–
Claims, policyholder liability and commission expense	**(23)**	(38)	(16)	**–**	–
Net funds management operating income	**173**	254	314	**–**	–
Net insurance operating income					
Premiums from insurance contracts	**698**	682	687	**–**	–
Investment revenue	**2**	5	4	**–**	–
Claims, policyholder liability and commission expense from insurance contracts	**(559)**	(537)	(450)	**–**	–
Net insurance operating income	**141**	150	241	**–**	–
Total other operating income	**5,316**	5,281	5,854	**9,154**	5,919

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 and to reflect the changes in accounting policies detailed in Note 1.1.
3 Includes gains/(losses) on non-trading derivatives that are held for risk management purposes.
4 Current year includes $2,327 million dividend from the repatriation of ASB Bank Limited retained profits. During the current year, the Bank increased its investment in ASB Bank Limited by $2,327 million.
5 Includes depreciation of $83 million in relation to assets held for lease as lessor by the Group (30 June 2019: $72 million, 30 June 2018: $74 million). Includes depreciation of $6 million in relation to assets held for lease as lessor by the Bank (30 June 2019: $8 million).
6 Current year includes a $92 million impairment loss recognised by the Group in relation to certain aircraft owned by the Group and leased to various airlines. The impairment loss was driven by the impact of COVID-19 on the aviation sector. This includes a loss of $11 million that was reclassified from the Cash flow hedge reserve.

	Group [1]			Bank [1]	
	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 20	30 Jun 19
	$M	$M	$M	$M	$M
Net hedging ineffectiveness comprises:					
Gain/(loss) on fair value hedges:					
Hedging instruments	**3,297**	3,251	2,537	**2,186**	1,164
Hedged items	**(3,302)**	(3,242)	(2,529)	**(2,268)**	(1,154)
Cash flow and net investment hedge ineffectiveness	**(9)**	4	4	**(11)**	6
Net hedging ineffectiveness	**(14)**	13	12	**(93)**	16

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

Notes to the financial statements

For the year ended 30 June 2020

2.3 Other operating income (continued)

ACCOUNTING POLICIES

Lending fees and commission income are accounted for as follows:

- facility fees earned for managing and administering credit and other facilities for customers are generally charged to the customer on a monthly or annual basis and are recognised as revenue over the service period. Annual fees are deferred on Balance Sheet in Bills payable and Other liabilities and recognised on a straight-line basis over the year. Transaction based fees are charged and recognised at the time of the transaction;
- commitment fees and fees in relation to guarantee arrangements are deferred and recognised over the life of the contractual arrangements;
- fee income is earned for providing advisory or arrangement services, placement and underwriting services. These fees are recognised and charged when the related service is completed which is typically at the time of the transaction; and
- trail commissions are recognised at the start of a contract when the performance obligation has been met, typically when a customer is introduced to a new project. The Group recognises the net present value of expected future trail commission income. For investment referral services, the Group is unable to forecast the trail commission revenue in line with the highly probable test in AASB 15. Therefore, trail commission revenue on investment referral balances is recognised when received or paid.

Establishment fees on financing facilities are deferred and amortised to interest income over the expected life of the loan and are not recognised when the commitment is issued.

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

Net gain/(loss) on non-trading financial instruments includes realised gains and losses from non-trading financial assets and liabilities, as well as realised and unrealised gains and losses on non-trading derivatives that are held for risk management purposes.

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

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

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

Funds management 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 is recognised on a straight-line basis over the lease term. This is offset by depreciation and impairment expense on the associated operating lease assets held by the Group.

Other income also includes the impact of foreign currency revaluations for foreign currency monetary assets and liabilities. These assets and liabilities are retranslated at the spot rate at 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.

Notes to the financial statements
For the year ended 30 June 2020

2.4 Operating expenses

	Group [1,2]			Bank [2]	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 20 $M	30 Jun 19 $M
Staff expenses					
Salaries and related on-costs	**5,239**	5,224	4,806	**4,772**	4,998
Share-based compensation	**103**	96	66	**107**	115
Superannuation	**409**	385	392	**403**	388
Total staff expenses	**5,751**	5,705	5,264	**5,282**	5,501
Occupancy and equipment expenses					
Lease expenses [3]	**163**	639	650	**153**	580
Depreciation of property, plant and equipment	**726**	270	271	**651**	247
Other occupancy expenses	**167**	173	197	**139**	164
Total occupancy and equipment expenses	**1,056**	1,082	1,118	**943**	991
Information technology services					
Application maintenance and development	**567**	586	429	**659**	734
Data processing	**182**	183	200	**177**	179
Desktop	**118**	142	153	**102**	129
Communications	**192**	217	179	**178**	205
Amortisation of software assets [4]	**925**	585	551	**869**	563
Software write-offs	**14**	13	71	**14**	13
IT equipment depreciation	**133**	93	80	**118**	79
Total information technology services	**2,131**	1,819	1,663	**2,117**	1,902
Other expenses					
Postage and stationery	**148**	156	171	**142**	151
Transaction processing and market data	**135**	146	130	**119**	131
Fees and commissions:					
Professional fees	**404**	492	679	**374**	470
Other	**262**	232	129	**79**	65
Advertising, marketing and loyalty	**424**	443	478	**326**	362
Amortisation of intangible assets (excluding software and merger related amortisation)	**5**	10	12	**–**	–
Non-lending losses [5]	**563**	615	838	**541**	617
Impairment on investments in subsidiaries	**–**	–	–	**405**	–
Other	**16**	124	171	**127**	148
Total other expenses	**1,957**	2,218	2,608	**2,113**	1,944
Operating expenses before restructuring, separation and transaction costs	**10,895**	10,824	10,653	**10,455**	10,338
Restructuring, separation and transaction costs	**34**	104	34	**290**	295
Total operating expenses [6]	**10,929**	10,928	10,687	**10,745**	10,633

1 Information has been restated and presented on a continuing operations basis.
2 Current year amounts reflect the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on adoption of AASB 16 refer to Note 1.1.
3 Current year includes rentals of $86 million in relation to short-term leases and low value leases, and variable lease payments based on usage or performance of $44 million.
4 The year ended 30 June 2020 includes approximately a $220 million one-off impact of accelerated amortisation following a review of the amortisation method and useful lives of certain technology assets. The year ended 30 June 2020 also includes $170 million of amortisation of prepaid software licences (30 June 2019: $161 million; 30 June 2018: $136 million).
5 The year ended 30 June 2019 includes $145 million professional indemnity insurance recovery in relation to AUSTRAC civil penalty. The year ended 30 June 2018 includes $700 million AUSTRAC civil penalty.
6 The year ended 30 June 2020 includes additional provisions for historical Aligned Advice remediation issues and associated program costs of $300 million, Wealth and Banking customer refunds and associated program costs of $94 million and other remediation of $60 million (30 June 2019: Aligned Advice remediation of $534 million, Wealth and Banking customer refunds and associated program costs of $301 million).

Notes to the financial statements
For the year ended 30 June 2020

2.4 Operating expenses (continued)

ACCOUNTING POLICIES

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

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

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

Occupancy and equipment expenses include depreciation which is calculated using the straight-line method over the asset's estimated useful life. The right-of-use assets recognised under AASB 16 *Leases* are depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within depreciation of Property, plant and equipment.

IT services expenses are recognised as incurred, 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.

Measurements of the Group's share-based compensation is dependent on assumptions, including grant date fair values. Information on these is set out in Note 10.1.

Refer to Note 6.2 for more information on the judgements and estimates associated with goodwill.

Notes to the financial statements

For the year ended 30 June 2020

2.5 Income tax expense

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

	Group [1]			Bank	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 20 $M	30 Jun 19 $M
Profit before income tax	**10,479**	11,376	12,553	**12,730**	10,407
Prima facie income tax at 30%	**3,144**	3,413	3,766	**3,819**	3,122
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:					
Taxation offsets and other dividend adjustments	**–**	–	(7)	**(1,416)**	(365)
Offshore tax rate differential	**(16)**	(40)	(36)	**7**	(8)
Offshore banking unit	**(19)**	(32)	(39)	**(20)**	(32)
Effect of changes in tax rates	**–**	1	15	**–**	1
Income tax over provided in previous years	**(53)**	(101)	(70)	**(39)**	(105)
Non-deductible expense provision [2]	**–**	–	210	**–**	–
Loss on disposals	**(74)**	–	–	**(5)**	–
Other	**38**	34	(28)	**216**	11
Total income tax expense	**3,020**	3,275	3,811	**2,562**	2,624
Effective tax rate (%)	**28. 8**	28. 8	30. 4	**20. 1**	25. 2

1 Information has been restated and presented on a continuing operations basis.
2 Relates to the AUSTRAC civil penalty, which is non-deductible for tax purposes.

	Group [1]			Bank	
Income tax expense attributable to profit from ordinary activities	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 20 $M	30 Jun 19 $M
Australia					
Current tax expense	**3,017**	3,110	3,496	**2,963**	2,755
Deferred tax benefit	**(557)**	(380)	(137)	**(631)**	(256)
Total Australia	**2,460**	2,730	3,359	**2,332**	2,499
Overseas					
Current tax expense	**577**	464	453	**161**	87
Deferred tax expense/(benefit)	**(17)**	81	(1)	**69**	38
Total Overseas	**560**	545	452	**230**	125
Income tax expense attributable to profit from ordinary activities	**3,020**	3,275	3,811	**2,562**	2,624

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

Notes to the financial statements

For the year ended 30 June 2020

2.5 Income tax expense (continued)

	Group [1]			Bank [1]	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 20 $M	30 Jun 19 $M
Deferred tax asset balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement and opening retained profits: [2, 3]					
Lease liability	**952**	–	–	**882**	–
Provision for employee benefits	**472**	425	452	**418**	398
Provisions for impairment on loans, bills discounted and other receivables	**1,758**	1,345	991	**1,580**	1,230
Other provisions not tax deductible until expense incurred	**674**	497	221	**592**	331
Defined benefit superannuation plan	**360**	357	339	**360**	357
Unearned income	**221**	250	267	**221**	250
Intangible assets	**184**	76	45	**184**	76
Other	**216**	236	251	**110**	232
Total amount recognised in the Income Statement and opening retained profits [2, 3]	**4,837**	3,186	2,566	**4,347**	2,874
Amounts recognised directly in Other Comprehensive Income:					
Cash flow hedge reserve	**117**	142	114	**16**	19
Other reserves	**176**	41	22	**180**	46
Total amount recognised directly in Other Comprehensive Income	**293**	183	136	**196**	65
Total deferred tax assets (before set off)	**5,130**	3,369	2,702	**4,543**	2,939
Set off to tax	**(3,070)**	(1,694)	(1,263)	**(2,575)**	(1,369)
Net deferred tax assets	**2,060**	1,675	1,439	**1,968**	1,570
Deferred tax liability balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement and opening retained profits: [2, 3]					
Right-of-use assets	**875**	–	–	**809**	–
Lease financing relating to lessor activities	**137**	162	200	**90**	91
Intangible assets	**66**	68	73	**56**	56
Financial instruments	**13**	3	30	**16**	13
Investments in associates	**170**	148	131	**–**	–
Other	**257**	106	66	**78**	38
Total amount recognised in the Income Statement and opening retained profits [2, 3]	**1,518**	487	500	**1,049**	198
Amounts recognised directly in Other Comprehensive Income:					
Revaluation of properties	**84**	82	81	**89**	84
Foreign currency translation reserve	**28**	36	18	**–**	–
Cash flow hedge reserve	**787**	481	48	**784**	479
Defined benefit superannuation plan	**502**	487	498	**502**	487
Investment securities revaluation reserve	**181**	121	–	**181**	121
Available-for-sale investments reserve	**–**	–	118	**–**	–
Total amount recognised directly in Other Comprehensive Income	**1,582**	1,207	763	**1,556**	1,171
Total deferred tax liabilities (before set off)	**3,100**	1,694	1,263	**2,605**	1,369
Set off to tax	**(3,070)**	(1,694)	(1,263)	**(2,575)**	(1,369)
Net deferred tax liabilities	**30**	–	–	**30**	–

1 Comparative information has been restated to conform to presentation in the current year.
2 The adoption of AASB 16 on 1 July 2019 resulted in an increase in the Group's Deferred tax asset of $859 million (Bank: $777 million) and an increase in the Group's Deferred tax liability of $799 million (Bank: $717 million) recognised through opening Retained profits.
3 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.

Notes to the financial statements
For the year ended 30 June 2020

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 20	30 Jun 19	30 Jun 18	30 Jun 20	30 Jun 19
Deferred tax assets not taken to account	**$M**	**$M**	**$M**	**$M**	**$M**
Tax losses and other temporary differences on revenue account that:					
Expire under current legislation	**–**	–	–	**–**	–
Do not expire under current legislation	**25**	–	47	**25**	–
Total	**25**	–	47	**25**	–

Tax consolidation

The Bank has recognised a tax consolidation contribution to the wholly-owned tax consolidated entity of $98 million (30 June 2019: $98 million).

The amount receivable by the Bank under the tax funding agreement was $209 million as at 30 June 2020 (30 June 2019: $320 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.

The Group recognised and disclosed separate deferred tax assets and deferred tax liabilities arising from arrangements where the Group is lessee. Deferred tax assets and liabilities are offset where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

The Bank and its wholly owned Australian subsidiaries elected to be treated as a single entity ("the tax consolidated group") under the tax consolidation regime from 1 July 2002. CommInsure Life will remain a member of the tax consolidated group until final completion of the share sale. The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations and members.

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

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

Critical accounting judgements and estimates

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. For such uncertainties, the Group has estimated the tax provisions based on the expected outcomes. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available for it to be used against.

Notes to the financial statements
For the year ended 30 June 2020

2.6 Earnings per share

	Group[3]		
	30 Jun 20	30 Jun 19	30 Jun 18
Earnings per ordinary share[1]	Cents per share		
Earnings per share from continuing operations:[2]			
Basic	**421. 8**	458. 3	500. 0
Diluted	**408. 5**	443. 2	485. 5
Earnings per share:			
Basic	**544. 8**	485. 6	534. 3
Diluted	**523. 2**	468. 6	517. 7

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.

	Group		
Reconciliation of earnings from continuing operations	30 Jun 20	30 Jun 19	30 Jun 18
used in calculation of earnings per share[1]	**$M**	**$M**	**$M**
Profit after income tax from continuing operations	**7,459**	8,101	8,742
Less: Non-controlling interests	**–**	(12)	(13)
Continuing operations earnings used in calculation of basic earnings per share	**7,459**	8,089	8,729
Add: Profit impact of assumed conversions of loan capital	**290**	323	267
Continuing operations earnings used in calculation of fully diluted earnings per share	**7,749**	8,412	8,996
Reconciliation of earnings used in calculation of earnings per share			
Continuing operations earnings used in calculation of basic earnings per share	**7,459**	8,089	8,729
Discontinued operations earnings used in calculation of basic earnings per share	**2,175**	482	600
Earnings used in calculation of basic earnings per share	**9,634**	8,571	9,329
Add: Profit impact of assumed conversions of loan capital	**290**	323	267
Earnings used in calculation of fully diluted earnings per share	**9,924**	8,894	9,596

1 The information has been restated and presented on a continuing operations basis.

	Number of shares (in millions)		
	30 Jun 20	30 Jun 19	30 Jun 18
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,768**	1,765	1,746
Effect of dilutive securities – executive share plans and convertible loan capital instruments	**127**	132	106
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	**1,895**	1,897	1,852

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).

Notes to the financial statements

For the year ended 30 June 2020

2.7 Financial reporting by segments

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

During the year, the Group announced the sale of its funds management business, CFS. The Group's business segment performance has been updated and presented on a continuing operations basis to exclude CFS businesses, which is disclosed as a discontinued operation.

During the year ended 30 June 2020, the Group made the following structural changes to its operating segments:

- enhancing the classification of its business banking portfolios which resulted in a transfer of some customers from Retail Banking Services to Business and Private Banking and Institutional Banking and Markets;
- Aligned Advice related businesses (including Financial Wisdom Limited, Count Financial Limited and Commonwealth Financial Planning Limited-Pathways) were transferred out of the Wealth Management division and consolidated into the Retail Banking Services division; and
- other re-segmentations, allocations and reclassifications, including refinements to the allocation of support unit and other costs.

These changes have not impacted the Group's net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments. These changes have been applied retrospectively.

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

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

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

(i) Retail Banking Services

Retail Banking Services provides banking and general insurance products and services to personal customers. Retail Banking Services also includes the financial results of retail banking activities provided under the Bankwest brand.

(ii) Business and Private Banking

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. It also provides equities trading and margin lending services through the CommSec business. Business and Private Banking also includes the financial results of business banking activities conducted under the Bankwest brand.

(iii) Institutional Banking and Markets

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

(iv) Wealth Management

Wealth Management provides superannuation, investment and retirement products.

(v) New Zealand

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

(vi) International Financial Services and Corporate Centre

International Financial Services (IFS) include the Indonesian retail and business banking operations (PT Bank Commonwealth), and minority investments in China (Bank of Hangzhou and Qilu Bank) and Vietnam (Vietnam International Bank).

Corporate Centre includes the results of unallocated Bank support functions such as Treasury, Investor Relations, Group Strategy, Legal and Corporate Affairs. It also includes Bank wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses. Treasury is primarily focused on the management of the Bank's interest rate risk, funding and liquidity requirements, and management of the Bank's capital.

The Treasury function includes:

- Portfolio management: manages the interest rate risk of the Bank's non-traded Balance Sheet using transfer pricing to consolidate risk into Treasury, and hedging the residual mismatch between assets and liabilities using swaps, futures and options; and
- Group funding and liquidity: manages the Bank's long-term and short-term wholesale funding requirements, and the Bank's prudent liquidity requirements; and
- Capital and regulatory strategy: manages the Bank's capital requirements.

Notes to the financial statements

For the year ended 30 June 2020

2.7 Financial reporting by segments (continued)

	30 Jun 20 [1]						
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	New Zealand $M	IFS and Corporate Centre $M	Wealth Management $M	Total $M
Net interest income	9,388	5,654	1,403	1,927	238	–	**18,610**
Other banking income:							
Commissions	1,219	878	158	287	15	–	**2,557**
Lending fees	157	440	332	63	(6)	–	**986**
Trading and other income	249	247	407	25	366	–	**1,294**
Total other banking income	1,625	1,565	897	375	375	–	**4,837**
Total banking income	11,013	7,219	2,300	2,302	613	–	**23,447**
Funds management income	67	–	–	136	(31)	–	**172**
Insurance income	140	–	–	–	(1)	–	**139**
Total operating income	11,220	7,219	2,300	2,438	581	–	**23,758**
Investment experience [2]	16	–	–	–	(13)	–	**3**
Total income	11,236	7,219	2,300	2,438	568	–	**23,761**
Operating expenses	(4,529)	(2,606)	(1,022)	(1,021)	(1,717)	–	**(10,895)**
Loan impairment expense	(1,010)	(814)	(347)	(292)	(55)	–	**(2,518)**
Net profit before income tax	5,697	3,799	931	1,125	(1,204)	–	**10,348**
Corporate tax (expense)/benefit	(1,700)	(1,145)	(276)	(314)	383	–	**(3,052)**
Non-controlling interests	–	–	–	–	–	–	**–**
Net profit after tax from continuing operations - "cash basis"	3,997	2,654	655	811	(821)	–	**7,296**
Net profit after tax from discontinued operations	–	–	–	–	16	137	**153**
Net profit after tax - "cash basis" [3]	3,997	2,654	655	811	(805)	137	**7,449**
Gain/(loss) on disposal and acquisition of entities net of transaction costs	41	(16)	–	8	161	1,898	**2,092**
Hedging and IFRS volatility	–	–	–	126	(33)	–	**93**
Other non-cash items	–	–	–	–	–	–	**–**
Net profit after tax - "statutory basis"	4,038	2,638	655	945	(677)	2,035	**9,634**
Additional information							
Amortisation and depreciation	(194)	(181)	(71)	(124)	(1,219)	–	**(1,789)**
Balance Sheet							
Total assets [4]	406,962	196,710	171,110	98,539	138,253	2,486	**1,014,060**
Total liabilities [4]	266,685	178,192	186,387	91,796	210,034	8,953	**942,047**

1 Information is presented on a continuing operations basis unless otherwise stated.

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

3 This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility, gains and losses net of transaction and separation costs associated with disposal of Aegis, AUSIEX, CFS, CFSGAM, Count Financial, PT Commonwealth Life and other businesses, the dilution of the Group's interest in Bank of Hangzhou, the deconsolidation of CommInsure Life, and other non-cash items.

4 Total assets and total liabilities reflect the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16, comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.

Notes to the financial statements

For the year ended 30 June 2020

2.7 Financial reporting by segments (continued)

	30 Jun 19 [1, 2]						
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	New Zealand $M	IFS and Corporate Centre $M	Wealth Management $M	Total $M
Net interest income	8,748	5,655	1,533	1,909	379	–	**18,224**
Other banking income:							
Commissions	1,357	813	176	302	29	–	**2,677**
Lending fees	168	418	345	60	1	–	**992**
Trading and other income	147	293	426	80	336	–	**1,282**
Total other banking income	1,672	1,524	947	442	366	–	**4,951**
Total banking income	10,420	7,179	2,480	2,351	745	–	**23,175**
Funds management income	139	–	–	130	(14)	–	**255**
Insurance income	149	–	–	–	(2)	–	**147**
Total operating income	10,708	7,179	2,480	2,481	729	–	**23,577**
Investment experience [3]	26	–	–	–	(24)	–	**2**
Total income	10,734	7,179	2,480	2,481	705	–	**23,579**
Operating expenses	(4,462)	(2,604)	(1,014)	(912)	(1,832)	–	**(10,824)**
Loan impairment expense	(672)	(384)	(17)	(102)	(26)	–	**(1,201)**
Net profit before income tax	5,600	4,191	1,449	1,467	(1,153)	–	**11,554**
Corporate tax (expense)/benefit	(1,693)	(1,260)	(332)	(408)	372	–	**(3,321)**
Non-controlling interests	–	–	–	–	(12)	–	**(12)**
Net profit after tax from continuing operations - "cash basis"	3,907	2,931	1,117	1,059	(793)	–	**8,221**
Net profit after tax from discontinued operations	–	–	–	–	(43)	528	**485**
Net profit after tax - "cash basis" [4]	3,907	2,931	1,117	1,059	(836)	528	**8,706**
(Loss)/gain on disposal and acquisition of entities net of transaction costs	(32)	–	13	179	(13)	(208)	**(61)**
Hedging and IFRS volatility	–	–	–	(48)	(31)	–	**(79)**
Other non-cash items	(1)	–	–	–	–	6	**5**
Net profit after tax - "statutory basis"	3,874	2,931	1,130	1,190	(880)	326	**8,571**
Additional information							
Amortisation and depreciation	(198)	(162)	(38)	(80)	(480)	–	**(958)**
Balance Sheet							
Total assets	390,976	197,047	148,027	94,320	125,563	20,569	**976,502**
Total liabilities	247,919	159,057	158,579	88,466	229,264	23,568	**906,853**

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 Information has been restated to conform to presentation in the current year and to reflect changes in accounting policy detailed in Note 1.1.
3 Investment experience is presented on a pre-tax basis.
4 This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility, gains and losses net of transaction and separation costs associated with disposal of CFSGAM, Count Financial, PT Commonwealth Life, Sovereign, TymeDigital SA and other businesses, the deconsolidation and planned divestment of CommInsure Life, the demerger costs for NewCo, and other non-cash items.

Notes to the financial statements

For the year ended 30 June 2020

2.7 Financial reporting by segments (continued)

	30 Jun 18 [1, 2]						
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	New Zealand $M	IFS and Corporate Centre $M	Wealth Management $M	Total $M
Net interest income	9,070	5,646	1,605	1,760	384	–	**18,465**
Other banking income	1,756	1,498	1,104	415	318	–	**5,091**
Total banking income	10,826	7,144	2,709	2,175	702	–	**23,556**
Funds management income	199	–	–	112	2	–	**313**
Insurance income	242	–	–	–	(4)	–	**238**
Total operating income	11,267	7,144	2,709	2,287	700	–	**24,107**
Investment experience [3]	8	–	–	–	(4)	–	**4**
Total income	11,275	7,144	2,709	2,287	696	–	**24,111**
Operating expenses	(4,267)	(2,406)	(1,035)	(860)	(2,085)	–	**(10,653)**
Loan impairment expense	(632)	(262)	(80)	(74)	(31)	–	**(1,079)**
Net profit before income tax	6,376	4,476	1,594	1,353	(1,420)	–	**12,379**
Corporate tax (expense)/benefit	(1,911)	(1,342)	(368)	(378)	220	–	**(3,779)**
Non-controlling interests	–	–	–	–	(13)	–	**(13)**
Net profit after tax from continuing operations - "cash basis"	4,465	3,134	1,226	975	(1,213)	–	**8,587**
Net profit after tax from discontinued operations	–	–	–	96	(53)	782	**825**
Net profit after tax - "cash basis" [4]	4,465	3,134	1,226	1,071	(1,266)	782	**9,412**
Gain/(loss) on disposal and acquisition of entities net of transaction costs	58	–	–	(18)	(84)	(139)	**(183)**
Hedging and IFRS volatility	–	–	–	87	14	–	**101**
Other non-cash items	(3)	–	–	–	–	2	**(1)**
Net profit after tax - "statutory basis"	4,520	3,134	1,226	1,140	(1,336)	645	**9,329**

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 Information has been restated to conform to presentation in the current year and to reflect changes in accounting policy detailed in Note 1.1.
3 Investment experience is presented on a pre-tax basis.
4 This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility, gains and losses net of transaction and separation costs associated with disposal of CommInsure Life, Sovereign, and other businesses, net gains on acquisition of AHL and other businesses, an impairment due to the reclassification of TymeDigital SA as a discontinued operation, the demerger costs for NewCo, and other non-cash items.

2.7 Financial reporting by segments (continued)

	Group [1]					
	30 Jun 20		30 Jun 19		30 Jun 18	
Financial performance and position	**$M**	**%**	**$M**	**%**	**$M**	**%**
Income						
Australia	**20,391**	**85. 2**	20,162	85. 8	21,026	86. 5
New Zealand	**2,504**	**10. 5**	2,444	10. 4	2,297	9. 4
Other locations [2]	**1,031**	**4. 3**	899	3. 8	996	4. 1
Total Income	**23,926**	**100. 0**	23,505	100. 0	24,319	100. 0
Non-current assets [3]						
Australia	**14,488**	**93. 0**	12,453	93. 2	13,473	93. 3
New Zealand	**857**	**5. 5**	635	4. 8	581	4. 0
Other locations [2]	**235**	**1. 5**	261	2. 0	387	2. 7
Total non-current assets	**15,580**	**100. 0**	13,349	100. 0	14,441	100. 0

1 Information has been restated and presented on a continuing operations basis. For details on the Group's discontinued operations refer to Note 11.3.
2 Other locations include: United Kingdom, Netherlands, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China and Vietnam.
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 'Corporate Centre'.

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 region, analysis of the credit quality of the Group's lending portfolio and the related impairment provisions.

3.1 Loans, bills discounted and other receivables

		Group [1]		Bank [1]	
		30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19
	Note	**$M**	**$M**	**$M**	**$M**
Australia					
Overdrafts		**27,593**	26,297	**27,593**	26,297
Home loans [2, 3]		**485,795**	467,361	**478,419**	459,690
Credit card outstandings		**9,005**	11,271	**9,005**	11,271
Lease financing		**4,073**	4,410	**3,487**	3,532
Bills discounted		**354**	1,955	**354**	1,955
Term loans and other lending		**146,225**	141,727	**146,238**	141,711
Total Australia		**673,045**	653,021	**665,096**	644,456
Overseas					
Overdrafts		**1,481**	1,842	**257**	306
Home loans [2, 3]		**57,085**	55,581	**259**	341
Credit card outstandings		**911**	1,069	**–**	–
Lease financing		**6**	8	**1**	1
Term loans and other lending		**46,147**	49,492	**18,061**	20,662
Total overseas		**105,630**	107,992	**18,578**	21,310
Gross loans, bills discounted and other receivables		**778,675**	761,013	**683,674**	665,766
Less					
Provisions for loan impairment:	3.2				
Collective provision		**(5,277)**	(3,820)	**(4,766)**	(3,455)
Individually assessed provisions		**(967)**	(895)	**(813)**	(801)
Unearned income:					
Term loans		**(627)**	(739)	**(621)**	(730)
Lease financing		**(257)**	(386)	**(206)**	(272)
		(7,128)	(5,840)	**(6,406)**	(5,258)
Net loans, bills discounted and other receivables		**771,547**	755,173	**677,268**	660,508

1 Comparative information has been restated to conform to presentation in the current year.
2 Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further details on these residential mortgages are disclosed in Note 4.4.
3 These balances are presented gross of mortgage offset balances as required under accounting standards.

Based on behavioural terms and current market conditions, the amounts expected to be repaid within 12 months of the Balance Sheet date are $178,113 million (2019: $185,208 million) for the Group, and $159,783 million (2019: $167,316 million) for the Bank.

Notes to the financial statements
For the year ended 30 June 2020

3.1 Loans, bills discounted and other receivables (continued)

Finance lease receivables

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

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

	Group [1]					
	30 Jun 20			30 Jun 19		
	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	**1,584**	**(130)**	**1,454**	1,665	(176)	1,489
One to two years	**1,047**	**(66)**	**981**	939	(66)	873
Two to three years	**668**	**(34)**	**634**	792	(51)	741
Three to four years	**480**	**(16)**	**464**	487	(41)	446
Four to five years	**160**	**(6)**	**154**	413	(40)	373
Over five years	**140**	**(5)**	**135**	122	(12)	110
	4,079	**(257)**	**3,822**	4,418	(386)	4,032

	Bank [1]					
	30 Jun 20			30 Jun 19		
	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	**1,431**	**(102)**	**1,329**	1,363	(127)	1,236
One to two years	**844**	**(54)**	**790**	791	(39)	752
Two to three years	**607**	**(28)**	**579**	589	(39)	550
Three to four years	**318**	**(12)**	**306**	421	(32)	389
Four to five years	**152**	**(5)**	**147**	257	(24)	233
Over five years	**136**	**(5)**	**131**	112	(11)	101
	3,488	**(206)**	**3,282**	3,533	(272)	3,261

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

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.

Notes to the financial statements
For the year ended 30 June 2020

3.1 Loans, bills discounted and other receivables (continued)

Contractual maturity tables

	Group Maturity Period at 30 June 2020			
Industry [1]	Maturing 1 year or less $M	Maturing between 1 and 5 years $M	Maturing after 5 years $M	Total $M
Australia				
Sovereign	22,376	711	434	23,521
Agriculture	3,417	5,969	294	9,680
Bank and other financial	9,474	3,404	258	13,136
Home loans	16,452	68,258	401,085	485,795
Construction	1,454	1,729	417	3,600
Other personal	5,996	10,363	1,336	17,695
Asset financing	1,175	8,556	703	10,434
Other commercial and industrial	34,877	66,267	8,040	109,184
Total Australia	95,221	165,257	412,567	673,045
Overseas				
Sovereign	69	–	–	69
Agriculture	3,882	4,648	1,071	9,601
Bank and other financial	2,686	3,635	61	6,382
Home loans	4,729	8,233	44,123	57,085
Construction	188	218	187	593
Other personal	1,061	408	407	1,876
Asset financing	48	495	236	779
Other commercial and industrial	14,980	8,406	5,859	29,245
Total overseas	27,643	26,043	51,944	105,630
Gross loans, bills discounted and other receivables	122,864	191,300	464,511	778,675

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	85,170	142,694	319,877	547,741
Overseas	23,202	16,156	9,163	48,521
Total variable interest rates	108,372	158,850	329,040	596,262
Australia	10,051	22,563	92,690	125,304
Overseas	4,441	9,887	42,781	57,109
Total fixed interest rates	14,492	32,450	135,471	182,413
Gross loans, bills discounted and other receivables	122,864	191,300	464,511	778,675

3.1 Loans, bills discounted and other receivables (continued)

	Group [1] Maturity Period at 30 June 2019			
Industry [2]	Maturing 1 year or less $M	Maturing between 1 and 5 years $M	Maturing after 5 years $M	Total $M
Australia				
Sovereign	21,303	592	509	22,404
Agriculture	3,631	5,066	443	9,140
Bank and other financial	7,857	3,854	241	11,952
Home loans	11,859	51,092	404,410	467,361
Construction	1,492	1,248	454	3,194
Other personal	6,848	12,978	1,682	21,508
Asset financing	969	8,960	542	10,471
Other commercial and industrial	36,289	61,096	9,606	106,991
Total Australia	90,248	144,886	417,887	653,021
Overseas				
Sovereign	81	1	–	82
Agriculture	4,076	5,116	1,420	10,612
Bank and other financial	1,940	3,811	23	5,774
Home loans	4,954	7,082	43,545	55,581
Construction	255	105	213	573
Other personal	1,264	378	282	1,924
Asset financing	44	436	242	722
Other commercial and industrial	16,307	9,288	7,129	32,724
Total Overseas	28,921	26,217	52,854	107,992
Gross loans, bills discounted and other receivables	119,169	171,103	470,741	761,013

1 Comparative information has been restated to conform to presentation in the current year.
2 The industry split has been prepared in line with industry exposures in Note 9.2.

Interest rate	Maturing 1 year or less [1] $M	Maturing between 1 and 5 years [1] $M	Maturing after 5 years [1] $M	Total $M
Australia	76,743	126,963	332,718	536,424
Overseas	25,363	16,890	10,368	52,621
Total variable interest rates	102,106	143,853	343,086	589,045
Australia	13,505	17,923	85,169	116,597
Overseas	3,558	9,327	42,486	55,371
Total fixed interest rates	17,063	27,250	127,655	171,968
Gross loans, bills discounted and other receivables	119,169	171,103	470,741	761,013

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

3.2 Provisions for impairment

	Group			Bank	
	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 20	30 Jun 19
Provisions for impairment losses	$M	$M	$M	$M	$M
Collective provision					
Opening balance	**3,904**	2,763	2,747	**3,537**	2,510
Change on adoption of AASB 9	**–**	1,055	–	**–**	979
Net collective provision funding	**2,043**	724	716	**1,804**	629
Impairment losses written off	**(763)**	(901)	(871)	**(690)**	(818)
Impairment losses recovered	**185**	206	201	**172**	191
Other	**27**	57	(30)	**56**	46
Closing balance	**5,396**	3,904	2,763	**4,879**	3,537
Individually assessed provisions					
Opening balance	**895**	870	980	**801**	779
Net new and increased individual provisioning	**658**	619	625	**519**	556
Write-back of provisions no longer required	**(183)**	(142)	(262)	**(168)**	(127)
Discount unwind to interest income	**(16)**	(23)	(25)	**(16)**	(23)
Impairment losses written off	**(444)**	(500)	(548)	**(371)**	(446)
Other	**57**	71	100	**48**	62
Closing balance	**967**	895	870	**813**	801
Total provisions for impairment losses	**6,363**	4,799	3,633	**5,692**	4,338
Less: off Balance Sheet provisions	**(119)**	(84)	(28)	**(113)**	(82)
Total provisions for loan impairment	**6,244**	4,715	3,605	**5,579**	4,256

Of the total $1,207 million loans written-off by the Group during the year ended 30 June 2020 (30 June 2019: $1,401 million), $475 million remain subject to enforcement activity (30 June 2019: $424 million). Of the total $1,061 million loans written-off by the Bank during the year ended 30 June 2020 (30 June 2019: $1,264 million), $397 million remain subject to enforcement activity (30 June 2019: $394 million).

	Group			Bank	
	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 20	30 Jun 19
Provision ratios	%	%	%	%	%
Total provisions for impaired assets as a % of gross impaired assets [1]	**35. 37**	32. 77	33. 60	**37. 74**	35. 36
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 82**	0. 63	0. 49	**0. 83**	0. 65

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 20	30 Jun 19	30 Jun 18	30 Jun 20	30 Jun 19
Loan impairment expense	$M	$M	$M	$M	$M
Net collective provision funding	**2,043**	724	716	**1,804**	629
Net new and increased individual provisioning	**658**	619	625	**519**	556
Write-back of individually assessed provisions	**(183)**	(142)	(262)	**(168)**	(127)
Total loan impairment expense	**2,518**	1,201	1,079	**2,155**	1,058

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For the year ended 30 June 2020

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 expected credit loss (ECL) stage for the year ended 30 June 2020.

Movements in credit exposures and provisions for impairment in the tables below represent the sum of monthly movements over the year and are attributable to the following items:

- **Transfers to/(from):** movements due to transfers of credit exposures between Stage 1, Stage 2 and Stage 3. Excludes the impact of re-measurements of provisions for impairment between 12 months and lifetime ECL.
- **Net re-measurement on transfers between stages:** movements in provisions for impairment due to re-measurement between 12 months and lifetime ECL as a result of transfers of credit exposures between stages.
- **Net financial assets originated:** net movements in credit exposures and provisions for impairment due to new financial assets originated as well as changes in existing credit exposures due to maturities, repayments or credit limit changes.
- **Movements in existing IAP (including IAP write-backs):** net movements in existing Individually Assessed Provisions (IAP) excluding write-offs.
- **Movement due to risk parameter and other changes:** movements in provisions for impairment due to changes in credit risk parameters, forward looking economic scenarios or other assumptions as well as other changes in underlying credit quality that do not lead to transfers between Stage 1, Stage 2 and Stage 3.
- **Write-offs:** derecognition of credit exposures and provisions for impairment upon write-offs.
- **Recoveries:** increases in provisions for impairment due to recoveries of loans previously written off.
- **Foreign exchange and other movements:** other movements in credit exposures and provisions for impairment including the impact of changes in foreign exchange rates.

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3.2 Provisions for impairment (continued)

	Group [1, 2]							
	Stage 1 [3] Collectively assessed		Stage 2 [4] Collectively assessed		Stage 3 [5] Collectively and individually assessed		Total	
	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions $M
Opening balance as at 1 July 2018	**709,924**	**873**	**191,009**	**2,525**	**5,976**	**1,290**	**906,909**	**4,688**
Transfers to/(from)								
Stage 1	111,753	1,312	(111,687)	(1,309)	(66)	(3)	–	–
Stage 2	(135,041)	(607)	138,440	935	(3,399)	(328)	–	–
Stage 3	(350)	(10)	(7,088)	(460)	7,438	470	–	–
Net re-measurement on transfers between stages	–	(1,072)	–	1,596	–	568	–	1,092
Net financial assets originated	56,075	341	(47,598)	(999)	(1,953)	(143)	6,524	(801)
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	358	–	358
Movements due to risk parameters and other changes	–	57	–	191	–	304	–	552
Loan impairment expense for the year		21		(46)		1,226		1,201
Write-offs	–	–	–	–	(1,401)	(1,401)	(1,401)	(1,401)
Recoveries	–	–	–	–	–	206	–	206
Foreign exchange and other movements	5,408	11	1,216	40	102	54	6,726	105
Closing balance as at 30 June 2019	**747,769**	**905**	**164,292**	**2,519**	**6,697**	**1,375**	**918,758**	**4,799**
Transfers to/(from)								
Stage 1	92,253	1,384	(92,543)	(1,372)	290	(12)	–	–
Stage 2	(179,232)	(636)	182,069	1,011	(2,837)	(375)	–	–
Stage 3	(393)	(8)	(6,027)	(413)	6,420	421	–	–
Net re-measurement on transfers between stages	–	(1,079)	–	1,614	–	535	–	1,070
Net financial assets originated	75,315	376	(49,188)	(765)	(2,351)	(188)	23,776	(577)
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	399	–	399
Movements due to risk parameters and other changes	–	618	–	736	–	272	–	1,626
Loan impairment expense for the year		655		811		1,052		2,518
Write-offs	–	–	–	–	(1,207)	(1,207)	(1,207)	(1,207)
Recoveries	–	–	–	–	–	185	–	185
Foreign exchange and other movements	(435)	9	(60)	16	(77)	43	(572)	68
Closing balance as at 30 June 2020	**735,277**	**1,569**	**198,543**	**3,346**	**6,935**	**1,448**	**940,755**	**6,363**

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

2 Refer to Note 9.2 for further analysis of provisions for impairment and credit exposures.

3 Movements in credit exposures exclude Cash and liquid assets and Receivables from financial institutions. Movements in provisions for impairment losses include provisions in relation to Cash and liquid assets and Receivables from financial institutions. As at 30 June 2020, collective provisions in Stage 1 include $12 million in relation to these financial assets (30 June 2019: $9 million).

4 The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risks 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 2020 (30 June 2019: 65%).

5 As at 30 June 2020, Stage 3 includes $4,598 million of collectively assessed (30 June 2019: $4,604 million) and $2,337 million of individually assessed credit exposures (30 June 2019: $2,093 million). Stage 3 provisions for impairment include $481 million of collective provisions (30 June 2019: $480 million) and $967 million of individually assessed provisions (30 June 2019: $895 million).

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3.2 Provisions for impairment (continued)

	Bank [1, 2]							
	Stage 1 [3] Collectively assessed		Stage 2 [4] Collectively assessed		Stage 3 [5] Collectively and individually assessed		Total	
	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions $M	Gross exposure $M	Provisions $M
Opening balance as at 1 July 2018	**631,818**	**783**	**171,198**	**2,313**	**5,177**	**1,172**	**808,193**	**4,268**
Transfers to/(from)								
Stage 1	107,627	1,268	(107,567)	(1,266)	(60)	(2)	–	–
Stage 2	(129,835)	(572)	132,931	878	(3,096)	(306)	–	–
Stage 3	(203)	(9)	(6,636)	(445)	6,839	454	–	–
Net re-measurement on transfers between stages	–	(1,037)	–	1,562	–	528	–	1,053
Net financial assets originated	49,839	323	(46,367)	(981)	(1,843)	(122)	1,629	(780)
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	311	–	311
Movements due to risk parameters and other changes	–	34	–	202	–	238	–	474
Loan impairment expense for the year		7		(50)		1,101		1,058
Write-offs	–	–	–	–	(1,264)	(1,264)	(1,264)	(1,264)
Recoveries	–	–	–	–	–	191	–	191
Foreign exchange and other movements	2,410	11	456	30	74	44	2,940	85
Closing balance as at 30 June 2019	**661,656**	**801**	**144,015**	**2,293**	**5,827**	**1,244**	**811,498**	**4,338**
Transfers to/(from)								
Stage 1	91,183	1,333	(91,097)	(1,327)	(86)	(6)	–	–
Stage 2	(172,270)	(599)	175,655	946	(3,385)	(347)	–	–
Stage 3	(311)	(6)	(6,302)	(372)	6,613	378	–	–
Net re-measurement on transfers between stages	–	(1,038)	–	1,559	–	474	–	995
Net financial assets originated	70,949	342	(47,613)	(746)	(2,140)	(162)	21,196	(566)
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	296	–	296
Movements due to risk parameters and other changes	–	569	–	581	–	280	–	1,430
Loan impairment expense for the year		601		641		913		2,155
Write-offs	–	–	–	–	(1,061)	(1,061)	(1,061)	(1,061)
Recoveries	–	–	–	–	–	172	–	172
Foreign exchange and other movements	1,305	16	384	35	–	37	1,689	88
Closing balance as at 30 June 2020	**652,512**	**1,418**	**175,042**	**2,969**	**5,768**	**1,305**	**833,322**	**5,692**

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

2 Refer to Note 9.2 for further analysis of provisions for impairment and credit exposures.

3 Movements in credit exposures exclude Cash and liquid assets and Receivables from financial institutions. Movements in provisions for impairment losses include provisions in relation to Cash and liquid assets and Receivables from financial institutions. As at 30 June 2020, collective provisions in Stage 1 include $10 million in relation these financial assets (30 June 2019: $9 million).

4 The assessment of significant increase in credit risk includes the impact of forward looking adjustments for emerging risks 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 64% of Stage 2 credit exposures for the Bank as at 30 June 2020 (30 June 2019: 65%).

5 As at 30 June 2020, Stage 3 includes $3,950 million of collectively assessed (30 June 2019: $4,168 million) and $1,818 million of individually assessed credit exposures (30 June 2019: $1,659 million). Stage 3 provisions for impairment include $492 million of collective provisions (30 June 2019: $443 million) and $813 million of individually assessed provisions (30 June 2019: $801 million).

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3.2 Provisions for impairment (continued)

ACCOUNTING POLICIES

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

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

Expected credit loss (ECL) model

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

- **Stage 1 - 12 months ECL - Performing loans**

  On origination, 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 impaired as well as assets that are considered to be in default but are not impaired because, for example, no loss is expected based on the security position.

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

Significant increase in credit risk (SICR)

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

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

The Group 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 64% for the Bank as at 30 June 2020 (30 June 2019: 65% for the Group and the Bank).

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

- arrears status, including the AASB 9 rebuttable presumption of 30 days past due;
- a retail exposure entering a financial hardship status;
- a non-retail exposure's referral to Group Credit Structuring.

The offer or uptake of a COVID-19 related repayment deferral does not itself constitute a SICR event unless the exposure is considered to have experienced a SICR based on other available information. For most retail exposures on repayment deferrals, SICR has been assessed with reference to credit quality score that is strongly associated with a heightened loan-to-value ratio and low levels of prepayment. The Group reassessed the internal credit risk ratings for the majority of non-retail exposures in segments most impacted by COVID-19 in the last quarter of the financial year 2020, including those on repayment deferrals, to determine if changes in customers' circumstances were sufficient to constitute SICR.

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.

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3.2 Provisions for impairment (continued)

Definition of default, impaired and write-offs

The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. 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 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.

The offer or uptake of a COVID-19 related repayment deferral does not constitute a default or credit impairment unless the exposure is considered to be in default or impaired based on the criteria outlined above.

ECL measurement

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

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

- **Retail lending**: Personal Loans model, Credit Cards model, Home Loans model, 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 and defaulted non retail exposures are assessed for impairment through an Individually Assessed Provisions (IAP) process if expected losses are in excess of $20,000. Impairment provisions on these exposures are calculated directly as the difference between the defaulted asset's carrying value and the present value of expected future cash flows including cash flows from realisation of collateral, where applicable.

Lifetime of an exposure

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

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

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, disposable income, 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 for significant portfolios:

- **Central scenario:** This scenario considers Central Bank forecasts as well as the Group's base case assumptions used in business planning and forecasting.
- **Downside scenario:** This scenario is set relative to the Central scenario based on macro-economic conditions that represent plausible but less likely alternatives to the Central scenario.
- **Upside scenario:** This scenario is included to account for the potential impact of less likely, more favourable macro-economic conditions. Relative to the Central scenario, the Upside scenario features a more rapid recovery in economic output and return to normal labour market conditions over the short-term with further improvement over the medium-term. In addition to this, the scenario features a stronger exchange rate, consistent growth in house prices, business investment, disposable income and the share market as well as modest increases in interest rates over the medium-term.

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3.2 Provisions for impairment (continued)

- **Severe downside scenario:** This scenario is included to account for a potentially severe impact of less likely, extremely adverse macro-economic conditions. Relative to the Central and Downside scenarios, this scenario features a sharper contraction with a slow recovery in economic output, heightened and prolonged weakness in the labour market, and more severe declines in house prices and the share market. In addition to this, the scenario features a more severe and prolonged contraction in business investment and a weaker exchange rate, while interest rates remain accommodative.

The table below provides a summary of macro-economic variables used in the Central and Downside scenarios as at 30 June 2020.

	Central Calendar year			Downside Calendar year		
	2020	2021	2022	2020	2021	2022
GDP (annual % change)	(6.0)	6.0	3.0	(7.1)	1.4	2.3
Unemployment rate (%) [1]	9.0	7.5	6.3	10.0	8.5	6.9
Cash rate (%) [1]	0.25	0.25	0.25	0.25	0.25	0.25
House prices (annual % change)	(7.0)	(1.4)	3.8	(12.8)	(12.5)	(2.5)
Business investment (annual % change)	(13.0)	4.0	4.4	(14.0)	(7.5)	0.6
AUD/USD exchange rate [1]	0.64	0.64	0.64	0.60	0.60	0.60
Disposable income (annual % change)	(1.8)	1.7	1.8	(3.6)	(3.1)	0.1
ASX 200 (annual % change)	(5.7)	8.7	5.5	(27.0)	(7.5)	3.4
NZ unemployment rate (%) [1]	7.8	6.4	5.5	9.0	8.0	6.8
NZ cash rate (%) [1]	0.25	0.25	0.25	0.25	0.25	0.25
NZ house prices (annual % change)	(3.9)	0.6	2.3	(9.5)	(7.5)	(0.1)

1 Spot rate at December of each year, unless otherwise stated.

The requirement to probability-weight possible future outcomes captures the uncertainty inherent in the credit outlook, and changes in that uncertainty over time. Weights are assigned to each scenario based on management's best estimate of the proportion of potential future loss outcomes that each scenario represents. The same economic scenarios and probability weights apply across all portfolios. The 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 affect the level of impairment provisions on these credit exposures.

Incorporation of experienced credit judgement

Management exercises credit judgement in assessing if an exposure has experienced SICR and in determining the amount of impairment provisions at each reporting date. Where applicable, credit risk factors (PD and LGD) are adjusted upwards to incorporate reasonable and supportable forward looking information about known or expected risks for specific segments of portfolios that would otherwise not have been considered in the modelling process. Credit judgement is used to determine the degree of adjustment to be applied and considers information such as emerging risks at an industry, geographical and portfolio segment level.

Sensitivity of provisions for impairment to changes in forward looking assumptions

As described above, 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.

The table below provides approximate levels of provisions for impairment under the Central and Downside scenarios for the Group and the Bank assuming 100% weighting was applied to each scenario and holding all other assumptions constant. As noted above, these scenarios and their associated weights have been selected based on the expected range of potential future loss outcomes.

	Group $M	Bank $M
100% Central scenario	5,262	4,659
100% Downside scenario	9,014	8,220

Sensitivity of provisions for impairment to SICR assessment criteria

If 1% of Stage 1 credit exposures as at 30 June 2020 was included in Stage 2 provisions for impairment would increase by approximately $108 million for the Group and $96 million for the Bank.

If 1% of Stage 2 credit exposures as at 30 June 2020 was included in Stage 1 provisions for impairment would decrease by approximately $29 million for the Group and $26 million for the Bank.

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3.2 Provisions for impairment (continued)

Modifications relating to COVID-19

The Group has introduced a number of support measures for customers impacted by COVID-19, which include loan repayment deferrals for retail and small business customers. The Bank recognised approximately $310 million of interest related to retail loans in deferral and approximately $150 million of interest related to non-retail loans in deferral.

The repayment deferral arrangements were considered to be continuations of the existing loans and were therefore accounted for as non-substantial loan modifications. A total modification loss of $6 million was recognised in relation to payment deferrals on home loans in Net interest income. No other modification gains or losses were recognised as a result of the payment deferral arrangements.

Loans with a gross carrying value of approximately $26,886 million were subject to COVID-19 related repayment deferrals when they were included in either Stage 2 or Stage 3. Of these exposures, loans with a gross carrying value of approximately $25,179 million remained in either Stage 2 or Stage 3 as at 30 June 2020.

The table below provides a summary of gross carrying values of credit exposures subject to COVID-19 related modifications as at 30 June 2020.

	Group $M	Bank $M
Retail secured		
Stage 1	35,889	31,313
Stage 2	19,992	18,734
Stage 3	1,228	1,120
Total retail secured	57,109	51,167
Retail unsecured		
Stage 1	591	39
Stage 2	127	81
Stage 3	17	4
Total retail unsecured	735	124
Non–retail		
Stage 1	6,400	6,157
Stage 2	10,508	9,281
Stage 3	251	236
Total non-retail	17,159	15,674
Total credit exposures		
Stage 1	42,880	37,509
Stage 2	30,627	28,096
Stage 3	1,496	1,360
Total	75,003	66,965

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3.2 Provisions for impairment (continued)

	Group				
Individually assessed provisions by industry classification	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Australia					
Sovereign	**–**	–	–	–	–
Agriculture	**54**	51	56	47	42
Bank and other financial	**4**	14	16	27	29
Home loans	**207**	246	236	249	193
Construction	**40**	76	21	25	25
Other personal	**3**	3	6	9	7
Asset financing	**35**	10	16	18	28
Other commercial and industrial	**311**	369	343	442	483
Total Australia	**654**	769	694	817	807
Overseas					
Sovereign	**–**	–	–	–	–
Agriculture	**19**	46	25	25	23
Bank and other financial	**–**	–	–	–	4
Home loans	**4**	4	5	4	6
Construction	**1**	–	1	1	8
Other personal	**4**	3	–	–	1
Asset financing	**1**	–	–	10	10
Other commercial and industrial	**284**	73	145	123	85
Total overseas	**313**	126	176	163	137
Total individually assessed provisions	**967**	895	870	980	944

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3.2 Provisions for impairment (continued)

	Group				
Loans written off by industry classification	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Australia					
Sovereign	–	–	–	–	–
Agriculture	1	59	28	17	84
Bank and other financial	1	1	3	1	10
Home loans	117	134	126	115	82
Construction	35	44	13	16	11
Other personal	655	787	764	792	747
Asset financing	19	17	23	41	54
Other commercial and industrial	221	126	179	210	249
Total Australia	1,049	1,168	1,136	1,192	1,237
Overseas					
Sovereign	–	–	–	–	–
Agriculture	36	2	3	15	7
Bank and other financial	4	5	5	5	–
Home loans	4	2	2	4	7
Construction	2	2	1	8	–
Other personal	61	70	65	60	54
Asset financing	–	–	–	–	–
Other commercial and industrial	51	152	207	64	112
Total overseas	158	233	283	156	180
Gross loans written off	1,207	1,401	1,419	1,348	1,417
Less recovery of amounts previously written off:					
Australia	172	190	187	194	211
Overseas	13	16	14	16	14
Total amounts recovered	185	206	201	210	225
Net loans written off	1,022	1,195	1,218	1,138	1,192

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3.2 Provisions for impairment (continued)

	Group				
Loans recovered by industry classification	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Australia					
Sovereign	–	–	–	–	–
Agriculture	4	–	–	–	1
Bank and other financial	–	–	1	1	27
Home loans	4	4	2	3	3
Construction	1	1	–	1	1
Other personal	152	169	165	170	154
Asset financing	2	2	5	7	4
Other commercial and industrial	9	14	14	12	21
Total Australia	172	190	187	194	211
Overseas					
Sovereign	–	–	–	–	–
Agriculture	–	–	–	–	–
Bank and other financial	–	–	–	–	1
Home loans	1	1	1	1	1
Construction	–	–	1	1	–
Other personal	12	11	10	11	10
Asset financing	–	–	–	–	–
Other commercial and industrial	–	4	2	3	2
Total overseas	13	16	14	16	14
Total loans recovered	185	206	201	210	225

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		Bank	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Australia				
Certificates of deposit	**30,126**	30,924	**30,261**	33,331
Term deposits	**129,338**	148,313	**129,388**	148,491
On-demand and short-term deposits	**371,165**	308,299	**371,200**	308,338
Deposits not bearing interest	**69,143**	49,274	**69,122**	49,245
Securities sold under agreements to repurchase	**14,717**	19,099	**15,018**	19,215
Total Australia	**614,489**	555,909	**614,989**	558,620
Overseas				
Certificates of deposit	**13,669**	12,144	**9,818**	8,818
Term deposits	**35,408**	39,147	**3,931**	5,869
On-demand and short-term deposits	**28,496**	23,491	**307**	481
Deposits not bearing interest	**7,777**	5,349	**190**	63
Securities sold under agreements to repurchase	**2,160**	–	**2,066**	–
Total overseas	**87,510**	80,131	**16,312**	15,231
Total external deposits and other public borrowings	**701,999**	636,040	**631,301**	573,851

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 2020				
	Maturing 3 months or less $M	Maturing between 3 and 6 months $M	Maturing between 6 and 12 months $M	Maturing after 12 months $M	Total $M
Australia					
Certificates of deposit [1]	20,056	8,862	1,138	70	**30,126**
Term deposits	78,434	24,808	23,702	2,394	**129,338**
Total Australia	**98,490**	**33,670**	**24,840**	**2,464**	**159,464**
Overseas					
Certificates of deposit [1]	8,513	4,194	914	48	**13,669**
Term deposits	17,380	10,947	5,060	2,021	**35,408**
Total overseas	**25,893**	**15,141**	**5,974**	**2,069**	**49,077**
Total certificates of deposits and term deposits	**124,383**	**48,811**	**30,814**	**4,533**	**208,541**

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

4.1 Deposits and other public borrowings (continued)

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

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

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 on the Balance Sheet where substantially all the risks and rewards of ownership remain with the Group. A liability for the agreed repurchase amount is recognised within Deposits and other public borrowings.

4.2 Liabilities at fair value through Income Statement

	Group		Bank	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Deposits and other borrowings	**97**	6,217	**97**	6,217
Debt instruments	**661**	714	**152**	155
Trading liabilities	**3,639**	1,589	**3,639**	1,589
Total liabilities at fair value through Income Statement	**4,397**	8,520	**3,888**	7,961

As at 30 June 2020, $4,363 million of the Group's total Liabilities at fair value through Income Statement (Bank: $3,854 million) are expected to be settled within 12 months of the Balance Sheet date. As at 30 June 2019, $5,201 million of the Group's total Liabilities at fair value through Income Statement (Bank: $4,642 million) 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 $4,397 million (2019: $8,524 million) and for the Bank is $3,888 million (2019: $7,960 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 [1] 30 Jun 20 $M	Group [1] 30 Jun 19 $M	Bank [1] 30 Jun 20 $M	Bank [1] 30 Jun 19 $M
Medium-term notes		**80,877**	98,342	**67,602**	84,014
Commercial paper		**12,468**	20,158	**12,104**	17,596
Securitisation notes	4.4	**11,677**	12,177	**–**	–
Covered bonds	4.4	**37,456**	33,313	**33,592**	29,452
Bank acceptances		**25**	32	**25**	32
Total debt issues [2]		**142,503**	164,022	**113,323**	131,094
Short-term debt issues by currency					
USD		**12,410**	20,147	**12,047**	17,585
AUD		**29**	42	**29**	42
GBP		**5,175**	3,470	**5,175**	3,470
Other currencies		**28**	227	**28**	227
Total short-term debt issues		**17,642**	23,886	**17,279**	21,324
Long-term debt issues by currency [3]					
USD		**39,568**	48,293	**34,779**	43,802
EUR		**33,556**	36,172	**25,992**	28,601
AUD		**34,912**	37,909	**23,015**	24,770
GBP		**4,938**	3,653	**4,298**	2,510
NZD		**3,351**	3,596	**494**	834
JPY		**1,662**	2,115	**1,534**	1,989
Other currencies		**6,806**	8,331	**5,864**	7,197
Offshore loans (all JPY)		**68**	67	**68**	67
Total long-term debt issues		**124,861**	140,136	**96,044**	109,770
Maturity distribution of debt issues [4]					
Less than twelve months		**36,406**	50,127	**31,029**	43,025
Greater than twelve months		**106,097**	113,895	**82,294**	88,069
Total debt issues		**142,503**	164,022	**113,323**	131,094

1 Comparative information has been restated to conform to presentation in the current year.
2 Debt issues include unrealised movements of $3,095 million predominantly due to foreign exchange gains and losses and fair value hedge adjustments.
3 Long-term debt disclosed relates to debt issues which have a maturity at inception of greater than 12 months.
4 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 purposes or other means. Such repurchases help manage the Bank's debt maturity profile, overall funding costs and assist in meeting regulatory changes and requirements.

4.3 Debt issues (continued)

Short-term borrowings by commercial paper program [1]	Group 30 Jun 20 $M (except where indicated)	Group 30 Jun 19	Group 30 Jun 18
Total			
Outstanding at year end [2]	**12,468**	20,158	26,868
Maximum amount outstanding at any month end	**19,937**	24,557	32,336
Average amount outstanding	**16,546**	21,592	30,007
US Commercial Paper Program			
Outstanding at year end [2]	**12,406**	20,120	26,792
Maximum amount outstanding at any month end	**19,683**	24,481	32,127
Average amount outstanding	**16,392**	21,494	29,887
Weighted average interest rate on:			
Average amount outstanding	**1. 9%**	2. 6%	1. 8%
Outstanding at year end	**0. 8%**	2. 7%	2. 3%
Euro Commercial Paper Program			
Outstanding at year end [2]	**62**	38	76
Maximum amount outstanding at any month end	**390**	163	219
Average amount outstanding	**154**	98	120
Weighted average interest rate on:			
Average amount outstanding	**0. 9%**	2. 2%	1. 5%
Outstanding at year end	**0. 4%**	2. 7%	2. 2%

1 Short-term borrowings include callable medium-term notes of $5,149 million (2019: $3,696 million) which have been excluded from the table above.
2 The amount outstanding at year end is measured at amortised cost.

Exchange rates utilised [1]	Currency	As at 30 Jun 20	As at 30 Jun 19
AUD 1.00 =	USD	**0.6854**	0.7013
	EUR	**0.6114**	0.6170
	GBP	**0.5584**	0.5533
	NZD	**1.0705**	1.0460
	JPY	**73.8002**	75.6460

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.

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 derecognition are typically associated with repurchase agreements and our covered bonds and securitisation programs. The underlying assets remain on the Group's Balance Sheet.

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

	Group					
	Repurchase agreements		Covered bonds		Securitisation [1]	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Carrying amount of transferred assets	**19,119**	19,129	**43,190**	39,129	**12,791**	13,521
Carrying amount of associated liabilities	**16,876**	19,099	**37,456**	33,313	**11,677**	12,177
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					**12,813**	13,524
Fair value of associated liabilities					**11,693**	12,177
Net position					**1,120**	1,347

	Bank					
	Repurchase agreements		Covered bonds		Securitisation [2, 3, 4]	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Carrying amount of transferred assets	**19,326**	19,245	**38,359**	34,160	**12,791**	13,871
Carrying amount of associated liabilities	**17,084**	19,215	**33,592**	29,452	**12,514**	13,637
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					**12,813**	13,874
Fair value of associated liabilities					**12,514**	13,637
Net position					**299**	237

1 Securitisation liabilities of the Group include RMBS notes issued by securitisation SPVs and held by external investors.
2 Information has been restated to reflect the change in accounting policy detailed in Note 1.1.
3 Securitisation liabilities of the Bank include borrowings from securitisation SPVs, recognised on transfer of residential mortgages by the Bank. The carrying amount of associated liabilities from securitisation SPVs is recorded under loans due to controlled entities.
4 Securitisation assets exclude $129,124 million of assets (30 June 2019: $56,403 million), where the Bank holds all of the issued instruments of the securitisation vehicle.

ACCOUNTING POLICIES

Repurchase agreements

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

Securitisation programs

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

Covered bonds programs

To complement existing wholesale funding sources, the Group has established two global covered bond programs for the Bank and ASB. Certain residential mortgages have been assigned to SPV's associated with covered bond programs to provide security on the payments to investors. 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 from financial institutions, trading assets and investment securities are held for liquidity purposes, to generate returns and to meet customer demand. The mix and nature of assets is driven by multiple factors including the Board's risk appetite, regulatory requirements, customer demand and the generation of shareholder returns.

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

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

5.1 Cash and liquid assets

	Group		Bank	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Notes, coins, cash at banks and money at short call	**27,307**	16,655	**24,010**	15,534
Securities purchased under agreements to resell	**16,858**	12,732	**16,290**	11,378
Total cash and liquid assets	**44,165**	29,387	**40,300**	26,912

ACCOUNTING POLICIES

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

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

5.2 Receivables from and payables to financial institutions

	Group		Bank	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Collateral placed	**7,425**	4,184	**7,576**	4,132
Other receivables	**1,122**	3,909	**733**	3,202
Receivables from financial institutions	**8,547**	8,093	**8,309**	7,334
Collateral received	**4,820**	5,484	**4,070**	4,905
Term funding facility from RBA	**1,500**	–	**1,500**	–
Other payables	**10,109**	17,886	**9,780**	17,713
Payables to financial institutions	**16,429**	23,370	**15,350**	22,618

ACCOUNTING POLICIES

Receivables from and payables to financial institutions include cash collateral, short-term deposits and other balances. Cash collateral includes initial and variation margins in relation to derivative transactions and varies based on trading activities. Receivables from and payables to financial institutions are measured at amortised cost.

The Term Funding Facility (TFF) is provided by The Reserve Bank of Australia, and is collateralised by residential mortgage backed securities issued by the Group. The TFF is initially recognised at its fair value and subsequently measured at amortised cost using the effective interest rate method.

5.3 Assets at fair value through Income Statement

Assets at fair value through Income Statement	Group [1] 30 Jun 20 $M	Group [1] 30 Jun 19 $M	Bank [1] 30 Jun 20 $M	Bank [1] 30 Jun 19 $M
Trading				
Government bonds, notes and securities	31,255	21,955	31,245	21,949
Corporate/financial institution bonds, notes and securities	3,750	3,264	3,750	3,264
Commodities	3,418	404	3,418	404
Shares and equity investments	–	29	–	5
Total trading assets	38,423	25,652	38,413	25,622
Other				
Commodities financing and other lending	7,869	7,272	7,871	7,271
Receivables from corporate/financial institutions	159	434	–	235
Government securities	77	81	–	–
Shares and equity investments	17	238	–	–
Total other assets at fair value through Income Statement	8,122	8,025	7,871	7,506
Total assets at fair value through Income Statement	46,545	33,677	46,284	33,128
Maturity distribution of assets at fair value through Income Statement				
Less than twelve months	45,548	33,450	45,364	32,947
More than twelve months	997	227	920	181
Total assets at fair value through Income Statement	46,545	33,677	46,284	33,128

1 Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.1.

ACCOUNTING POLICIES

Assets at fair value through Income Statement include financial assets held for trading, commodity financing transactions, and other financial assets designated at fair value through profit or loss. Trading assets are those acquired principally for sale in the near term. Commodity inventories are measured at fair value less costs to sell in accordance with the broker trader exemption under AASB 102 *Inventories*. Commodity financing and other lending are mandatorily recognised at fair value through profit or loss, because the contractual cash flows are not solely payments of principal and interest. Other financial assets are designated at fair value through profit or loss, because they are managed with the objective of realising cash flows through sale. Assets at fair value through Income Statement are measured at fair value with changes in fair value recognised in Other banking income.

5.4 Derivative financial instruments and hedge accounting

Derivatives are classified as "held for trading" or "held for hedging". Held for trading derivatives are contracts entered into in order to meet customers' needs, to undertake market making and positioning activities, or for risk management purposes that are not designated in hedge accounting relationships. Held for hedging derivatives are instruments held for risk management purposes, which meet the criteria for hedge accounting. Derivative financial instruments are contracts whose values are derived from one or more underlying prices, indexes or other variables.

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

Derivatives assets and liabilities	Group 30 Jun 20 Fair value asset $M	Group 30 Jun 20 Fair value liability $M	Group 30 Jun 19 Fair value asset $M	Group 30 Jun 19 Fair value liability $M
Held for trading				
Foreign exchange rate related contracts:				
Forwards	6,899	(6,677)	5,404	(5,492)
Swaps	7,443	(12,638)	4,078	(7,327)
Options	441	(455)	349	(346)
Total foreign exchange rate related contracts	14,783	(19,770)	9,831	(13,165)
Interest rate related contracts:				
Swaps	8,732	(4,252)	6,978	(3,758)
Futures	148	(69)	46	(132)
Options	845	(572)	554	(463)
Total interest rate related contracts	9,725	(4,893)	7,578	(4,353)
Credit related swaps	31	(74)	21	(49)
Equity related contracts:				
Swaps	5	–	10	(26)
Options	–	–	1	(3)
Total equity related contracts	5	–	11	(29)
Commodity related contracts:				
Swaps	558	(407)	207	(193)
Options	103	(66)	57	(76)
Total commodity related contracts	661	(473)	264	(269)
Identified embedded derivatives	95	(70)	160	(60)
Total derivative assets/(liabilities) held for trading	25,300	(25,280)	17,865	(17,925)

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

	Group 30 Jun 20 Fair value asset $M	Group 30 Jun 20 Fair value liability $M	Group 30 Jun 19 Fair value asset $M	Group 30 Jun 19 Fair value liability $M
Fair value hedges				
Foreign exchange rate related swaps	3,797	(3,842)	5,089	(2,384)
Interest rate related swaps	493	(977)	379	(1,440)
Total fair value hedges	4,290	(4,819)	5,468	(3,824)
Cash flow hedges				
Foreign exchange rate related swaps	531	(1,007)	1,470	(643)
Interest rate related swaps	156	(211)	411	(365)
Commodity price related swaps	–	(30)	–	(5)
Total cash flow hedges	687	(1,248)	1,881	(1,013)
Net investment hedges				
Foreign exchange rate related forwards	8	–	1	(15)
Total net investment hedges	8	–	1	(15)
Total derivative assets/(liabilities) held for hedging	4,985	(6,067)	7,350	(4,852)

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

Notes to the financial statements
For the year ended 30 June 2020

5.4 Derivative financial instruments and hedge accounting (continued)

	Bank			
	30 Jun 20		30 Jun 19	
Derivatives assets and liabilities	Fair value asset $M	Fair value liability $M	Fair value asset $M	Fair value liability $M
Held for trading				
Foreign exchange rate related contracts:				
Forwards	6,881	(6,633)	5,392	(5,465)
Swaps	8,254	(13,736)	5,036	(8,161)
Options	439	(452)	348	(345)
Derivatives held with controlled entities	22	(2,127)	41	(2,015)
Total foreign exchange rate related contracts	15,596	(22,948)	10,817	(15,986)
Interest rate related contracts:				
Swaps	8,483	(4,174)	6,735	(3,653)
Futures	148	(69)	47	(132)
Options	845	(572)	554	(463)
Derivatives held with controlled entities	20	(1)	16	(91)
Total interest rate related contracts	9,496	(4,816)	7,352	(4,339)
Credit related swaps	31	(74)	21	(49)
Equity related contracts:				
Swaps	5	–	10	(26)
Options	–	–	1	(3)
Total equity related contracts	5	–	11	(29)
Commodity related contracts:				
Swaps	557	(407)	207	(193)
Options	104	(66)	57	(76)
Total commodity related contracts	661	(473)	264	(269)
Identified embedded derivatives	95	(70)	160	(60)
Total derivative assets/(liabilities) held for trading	25,884	(28,381)	18,625	(20,732)

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

Notes to the financial statements
For the year ended 30 June 2020

5.4 Derivative financial instruments and hedge accounting (continued)

	Bank			
	30 Jun 20		30 Jun 19	
	Fair value asset $M	Fair value liability $M	Fair value asset $M	Fair value liability $M
Fair value hedges				
Foreign exchange rate related contracts:				
Swaps	2,341	(2,852)	3,707	(1,670)
Derivatives held with controlled entities	9	(2,791)	–	(1,948)
Total foreign exchange rate related contracts	2,350	(5,643)	3,707	(3,618)
Interest rate related contracts:				
Swaps	457	(950)	333	(1,393)
Derivatives held with controlled entities	–	(82)	–	(68)
Total interest rate related contracts	457	(1,032)	333	(1,461)
Total fair value hedges	2,807	(6,675)	4,040	(5,079)
Cash flow hedges				
Foreign exchange rate related contracts:				
Swaps	413	(862)	1,329	(471)
Derivatives held with controlled entities	129	(128)	–	(97)
Total foreign exchange rate related contracts	542	(990)	1,329	(568)
Interest rate related contracts:				
Swaps	79	(172)	316	(255)
Derivatives held with controlled entities	2	–	–	–
Total interest rate related contracts	81	(172)	316	(255)
Commodity price related contracts:				
Swaps	–	(30)	–	(5)
Total commodity price related contracts	–	(30)	–	(5)
Total cash flow hedges	623	(1,192)	1,645	(828)
Net investment hedges				
Foreign exchange rate related forward contracts	8	–	1	(15)
Total net investment hedges	8	–	1	(15)
Total derivative assets/(liabilities) held for hedging	3,438	(7,867)	5,686	(5,922)

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

The Bank will be required to post collateral on hedging derivatives with securitisation and covered bond trusts, its controlled entities, or novate the derivatives to other appropriately rated counterparties in the event that the Bank's credit rating falls below specified thresholds. The thresholds for collateral posting vary between two and three notches from the current rating, depending on the ratings agency. The thresholds for novation vary between four and six notches from the current rating, depending on the ratings agency. The fair value of funding these collateral arrangements has been recognised by the Bank as a funding valuation adjustment. The adjustment did not have a material impact on the Bank's Income Statement for the year. As the arrangement is between the Bank and the trusts, the fair value is eliminated on consolidation and will only be recognised by the Group if the trusts are deconsolidated.

Notes to the financial statements
For the year ended 30 June 2020

5.4 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 same period when the hedge items impact the Income Statement:

	Group Total		Bank Total	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Within 6 months	**(89)**	47	**(43)**	57
6 months–1 year	**(173)**	(103)	**(59)**	(32)
1–2 years	**(40)**	(340)	**224**	(215)
2–5 years	**2,320**	1,476	**2,126**	1,516
After 5 years	**161**	53	**287**	207
Net deferred gains/(losses)	**2,179**	1,133	**2,535**	1,533

ACCOUNTING POLICIES

Derivatives transacted for hedging purposes

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

Hedging strategy and hedge accounting

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

Fair value hedges

Fair value hedges are used by the Group to manage exposure to changes in the fair value of an asset, liability or unrecognised firm 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.

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.

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.

Notes to the financial statements
For the year ended 30 June 2020

5.4 Derivative financial instruments and hedge accounting (continued)

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.

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For the year ended 30 June 2020

5.4 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 hedged risk.

	Group 30 Jun 20			Bank 30 Jun 20		
	Notional $M	Fair value derivative assets $M	Fair value derivative liability $M	Notional $M	Fair value derivative assets $M	Fair value derivative liability $M
Fair value hedges						
Interest rate	97,007	493	(977)	80,899	457	(1,032)
Foreign exchange	405	23	(3)	–	–	–
Interest rate and foreign exchange	45,998	3,774	(3,839)	45,063	2,350	(5,643)
Total fair value hedges	143,410	4,290	(4,819)	125,962	2,807	(6,675)
Cash flow hedges						
Interest rate	443,408	156	(211)	397,136	81	(172)
Foreign exchange	14,946	531	(1,007)	16,221	542	(990)
Commodity price	75	–	(30)	75	–	(30)
Total cash flow hedges	458,429	687	(1,248)	413,432	623	(1,192)
Net investment hedges						
Foreign exchange	524	8	–	524	8	–
Total net investment hedges	524	8	–	524	8	–
Total hedging instrument assets/(liabilities)	602,363	4,985	(6,067)	539,918	3,438	(7,867)

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

In addition to derivative instruments used to hedge foreign currency risk, the Group and the Bank designate debt issues as hedging instruments of certain foreign exchange risk exposures. The carrying value of debt issues designated as cash flow hedging instruments as at 30 June 2020 was $1,136 million with average maturity of five years for the Group (30 June 2019: $949 million with average maturity of four years) and $54 million with average maturity of one year for the Bank (30 June 2019: $62 million with average maturity of two years).

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For the year ended 30 June 2020

5.4 Derivative financial instruments and hedge accounting (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 hedged risk.

		Group 30 Jun 20 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	12,545	42,759	41,703	97,007
	Foreign exchange	405	–	–	405
	Interest rate and foreign exchange	4,940	26,364	14,694	45,998
Cash flow hedges	Interest rate	258,881	179,302	5,225	443,408
	Foreign exchange	6,762	4,179	4,005	14,946
	Commodity price	5	32	38	75
Net investment hedges	Foreign exchange	524	–	–	524

		Group [1] 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	Interest rate	338,071	185,963	5,397	529,431
	Foreign exchange	12,386	4,722	2,292	19,400
	Commodity price	5	23	52	80
Net investment hedges	Foreign exchange	481	–	–	481

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

As at 30 June 2020, the weighted average fixed interest rate of interest rate swaps hedging interest rate risk was 1.36% (30 June 2019: 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 currency rates of: AUD/USD 0.75 and USD/EUR 0.83 (30 June 2019: AUD/USD 0.85, USD/EUR 0.82).

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For the year ended 30 June 2020

5.4 Derivative financial instruments and hedge accounting (continued)

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 hedged risk.

		Bank 30 Jun 20 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	9,952	32,216	38,731	80,899
	Foreign exchange	–	–	–	–
	Interest rate and foreign exchange	6,768	23,662	14,633	45,063
Cash flow hedges	Interest rate	242,158	150,029	4,949	397,136
	Foreign exchange	6,177	6,039	4,005	16,221
	Commodity price	5	32	38	75
Net investment hedges	Foreign exchange	524	–	–	524

		Bank [1] 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	Interest rate	316,484	160,217	4,984	481,685
	Foreign exchange	9,955	4,588	2,292	16,835
	Commodity price	5	23	52	80
Net investment hedges	Foreign exchange	481	–	–	481

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

As at 30 June 2020, the weighted average fixed interest rate of interest rate swaps hedging interest rate risk was 1.36% (30 June 2019: 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 currency rates of: AUD/USD 0.73 and USD/EUR 0.83 (30 June 2019: AUD/USD 0.84, USD/EUR 0.83).

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For the year ended 30 June 2020

5.4 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 hedged risk.

		Group 30 Jun 20		Bank 30 Jun 20	
Hedged items	**Hedged risk**	Carrying amount $M	Fair value adjustment [1,2] $M	Carrying amount $M	Fair Value adjustment [1,2] $M
Investment securities at fair value through Other Comprehensive Income	Interest rate	49,892	5,901	44,381	5,893
Investment securities at fair value through Other Comprehensive Income	Interest rate and foreign exchange	4,557	555	4,318	555
Loans, bills discounted and other receivables	Interest rate	1,743	109	1,585	104
Shares in and loans to controlled entities	Interest rate	–	–	1,546	78
Shares in and loans to controlled entities	Interest rate and foreign exchange	–	–	21,300	1,447
Deposits and other public borrowings	Interest rate	(58)	(8)	(58)	(8)
Deposits and other public borrowings	Interest rate and foreign exchange	(50)	(3)	(50)	(3)
Assets held for sale	Foreign exchange	403	24	–	–
Debt issues	Interest rate	(27,139)	(2,146)	(18,740)	(1,810)
Debt issues	Interest rate and foreign exchange	(55,444)	(3,449)	(39,366)	(2,596)
Loan capital	Interest rate	(9,757)	(1,212)	(9,371)	(1,200)
Loan capital	Interest rate and foreign exchange	(9,274)	(474)	(9,274)	(474)

		Group 30 Jun 19		Bank [3] 30 Jun 19	
Hedged items	**Hedged risk**	Carrying amount $M	Fair value adjustment [1,2] $M	Carrying amount $M	Fair value adjustment [1,2] $M
Investment securities at fair value through Other Comprehensive Income	Interest rate	44,493	4,438	40,064	4,425
Investment securities at fair value through Other Comprehensive Income	Interest rate and foreign exchange	10,130	201	10,130	201
Loans, bills discounted and other receivables	Interest rate	2,136	63	1,900	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 rate	(5,974)	(326)	(5,582)	(316)
Loan capital	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. 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.

3 Comparative information has been restated to conform to presentation in the current year.

Notes to the financial statements

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5.4 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 hedged risk.

		Group 30 Jun 20		Bank 30 Jun 20	
Hedged items	Hedged risk	Cash flow hedge reserve [1] $M	Foreign currency translation reserve [2] $M	Cash flow hedge reserve [1] $M	Foreign currency translation reserve [2] $M
Cash flow hedges					
Investment securities at fair value through Other Comprehensive Income	Foreign exchange	26	–	26	–
Loans, bills discounted and other receivables	Interest rate	4,906	–	4,471	–
Loans, bills discounted and other receivables	Foreign exchange	19	–	19	–
Shares in and loans to controlled entities	Interest rate	–	–	3	–
Shares in and loans to controlled entities	Foreign exchange	–	–	88	–
Deposits and other public borrowings	Interest rate	(2,665)	–	(2,194)	–
Debt issues	Interest rate	(60)	–	(55)	–
Debt issues	Foreign exchange	(18)	–	140	–
Loan capital	Interest rate	(4)	–	(4)	–
Loan capital	Foreign exchange	85	–	85	–
Highly probable forecast transactions [3]	Foreign exchange	(66)	–	–	–
Highly probable forecast transactions	Commodity price	(44)	–	(44)	–
Net investment hedges					
Foreign operations	Foreign exchange	–	(14)	–	(14)
Total		**2,179**	**(14)**	**2,535**	**(14)**

1 Represents the accumulated effective amount of the hedging instrument deferred to Cash flow hedge reserve. The cumulative amount related to ceased hedge relationships where the risk being hedged was interest rate and foreign exchange risk is a loss of $11 million for the Group and the Bank. A cumulative gain of $5 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.

3 A cumulative loss of $12 million was reclassified to the Income Statement during the period as a result of highly probable forecast transactions no longer meeting the required criteria.

Notes to the financial statements

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5.4 Derivative financial instruments and hedge accounting (continued)

		Group 30 Jun 19		Bank 30 Jun 19	
Hedged items	Hedged risk	Cash flow hedge reserve [1] $M	Foreign currency translation reserve [2] $M	Cash flow hedge reserve [1] $M	Foreign currency translation reserve [2] $M
Cash flow hedges					
Investment securities at fair value through Other Comprehensive Income	Foreign exchange	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 rate	(3)	–	(3)	–
Loan capital	Foreign exchange	10	–	10	–
Highly probable forecast transactions	Foreign exchange	(92)	–	–	–
Highly probable forecast transactions	Commodity price	(17)	–	(17)	–
Net investment hedges					
Foreign operations	Foreign exchange	–	(33)	–	(33)
Total		**1,133**	**(33)**	**1,533**	**(33)**

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

2 Represents the accumulated effective amount of the hedging instrument deferred to Foreign currency translation reserve. The cumulative amount related to ceased hedge relationships where the risk being hedged was foreign exchange risk is nil.

5.4 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 hedged risk.

	Group 30 Jun 20			Bank 30 Jun 20		
	Change in value of hedged item [1] $M	Change in value of hedging instrument $M	Hedge ineffectiveness recognised in Income Statement [2] $M	Change in value of hedged item [1] $M	Change in value of hedging instrument $M	Hedge ineffectiveness recognised in Income Statement [2] $M
Fair value hedges						
Interest rate	(590)	606	16	(553)	510	(43)
Interest rate and foreign exchange	(2,687)	2,666	(21)	(1,715)	1,676	(39)
Foreign exchange	(25)	25	–	–	–	–
Total fair value hedges	(3,302)	3,297	(5)	(2,268)	2,186	(82)
Cash flow hedges and net investment hedges						
Interest rate	(954)	945	(9)	(955)	944	(11)
Foreign exchange	(175)	175	–	(90)	90	–
Commodity prices	29	(29)	–	29	(29)	–
Total cash flow hedges and net investment hedges	(1,100)	1,091	(9)	(1,016)	1,005	(11)

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 $1,042 million for the Group and $1,001 million for the Bank, and no gain or loss was recognised in the Net investment hedge reserve for the Group and the Bank.

2 Hedge ineffectiveness is recognised in Other banking income.

	Group [1] 30 Jun 19			Bank [1] 30 Jun 19		
	Change in value of hedged item [2] $M	Change in value of hedging instrument $M	Hedge ineffectiveness recognised in Income Statement [3] $M	Change in value of hedged item [2] $M	Change in value of hedging instrument $M	Hedge ineffectiveness recognised in Income Statement [3] $M
Fair value hedges						
Interest rate	1,257	(1,269)	(12)	1,384	(1,397)	(13)
Interest rate and foreign exchange	(4,548)	4,569	21	(2,538)	2,561	23
Foreign exchange	49	(49)	–	–	–	–
Total fair value hedges	(3,242)	3,251	9	(1,154)	1,164	10
Cash flow hedges and net investment hedges						
Interest rate	(1,279)	1,283	4	(1,302)	1,308	6
Foreign exchange	(669)	669	–	(667)	667	–
Commodity prices	(5)	5	–	(5)	5	–
Total cash flow hedges and net investment hedges	(1,953)	1,957	4	(1,974)	1,980	6

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

2 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 Foreign currency translation reserve was $20 million for the Group and the Bank.

3 Hedge ineffectiveness is recognised in Other banking income.

5.4 Derivative financial instruments and hedge accounting (continued)

IBOR reform

The Group has designated hedging relationships where hedged items and/or hedging instruments reference LIBOR. These rates are in the process of being transitioned to RFRs, as discussed in note 12.4. The table below provides more information on the hedge accounting relationships that are impacted by IBOR reform.

Hedging instruments

	Notional designated beyond 31 Dec 2021							
	USD Libor $M	GBP Libor $M	CHF Libor $M	JPY Libor $M	Total [1] $M	Notional designated up to 31 Dec 2021 [2] $M	Other not impacted by IBOR reform [3] $M	Total notional $M
Cash flow hedges	5,785	–	–	–	5,785	13,049	439,595	458,429
Fair value hedges	38,534	3,169	2,305	705	44,713	12,788	85,909	143,410

Hedged items

	Carrying values of financial instruments designated as hedged items beyond 31 Dec 2021 [4]			
	USD Libor $M	GBP Libor $M	CHF Libor $M	JPY Libor $M
Investment securities through OCI	10,346	1,946	–	–
Debt issues	27,077	1,527	2,360	261
Loan capital	8,635	–	–	541
Deposits and other public borrowings	1,030	–	–	–
Loans	2,207	–	–	–

1 Hedging instrument notional directly impacted by IBOR reform.

2 Hedging instrument notional linked to IBOR (impacted by the IBOR reform) that matures before 1 January 2022.

3 Hedging instrument notional not impacted by IBOR reform.

4 Hedged item carrying value directly impacted by IBOR reform.

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5.5 Investment securities

	Group		Bank	
	30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19
	$M	$M	$M	$M
Investment securities at fair value through OCI				
Government bonds, notes and securities	**57,190**	50,560	**53,558**	48,454
Corporate/financial institution bonds, notes and securities	**12,971**	18,075	**11,502**	16,407
Covered bonds, mortgage backed securities and SSA [1]	**8,818**	10,210	**6,719**	8,306
Shares and equity investments	**570**	67	**556**	45
Total investment securities at fair value through OCI	**79,549**	78,912	**72,335**	73,212
Investment securities at amortised cost				
Covered bonds, mortgage backed securities and SSA [1]	**5,168**	7,349	**5,167**	7,349
Government bonds, notes and securities	**5**	6	**–**	–
Total investment securities at amortised cost	**5,173**	7,355	**5,167**	7,349
Total investment securities	**84,722**	86,267	**77,502**	80,561

1 Supranational, Sovereign and Agency Securities (SSA).

As at 30 June 2020, Investment securities at fair value through other comprehensive income expected to be recovered within 12 months of the Balance Sheet date were $12,679 million (2019: $10,409 million) for the Group, and $10,494 million (2019: $8,639 million) for the Bank. As at 30 June 2020, Investment securities at amortised cost amounts expected to be recovered within 12 months of the Balance Sheet date were $1,655 million (2019: $1,622 million) for the Group and the Bank.

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5.5 Investment securities (continued)

Maturity distribution and yield analysis

	Group Maturity period at 30 June 2020									
	0 to 1 year		1 to 5 years		5 to 10 years		10 or more years		Non-maturing	Total
	$M	%	$M	%	$M	%	$M	%	$M	$M
Investment securities at fair value through OCI										
Government bonds, notes and securities	9,239	0. 37	18,672	0. 78	24,262	0. 95	5,017	1. 47	–	**57,190**
Corporate/financial institution bonds, notes and securities	2,479	0. 53	10,377	0. 90	110	1. 95	5	1. 66	–	**12,971**
Covered bonds, mortgage backed securities and SSA	687	1. 03	6,234	1. 18	1,078	0. 99	819	1. 66	–	**8,818**
Shares and equity investments	–	–	–	–	–	–	–	–	570	**570**
Total investment securities at fair value through OCI	**12,405**		**35,283**		**25,450**		**5,841**		**570**	**79,549**
Investment securities at amortised cost										
Covered bonds, mortgage backed securities and SSA	10	2. 20	–	–	163	1. 38	4,995	1. 34	–	**5,168**
Government bonds, notes and securities	5	0. 61	–	–	–	–	–	–	–	**5**
Total investment securities at amortised cost	**15**		**–**		**163**		**4,995**		**–**	**5,173**
Total investment securities	**12,420**		**35,283**		**25,613**		**10,836**		**570**	**84,722**

ACCOUNTING POLICIES

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

Investment securities at fair value through other comprehensive income

Debt securities

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

Interest income and foreign exchange gains and losses on these securities are recognised in the Income Statement. The securities are assessed for impairment using the expected credit loss approach described in Note 3.2. Impairment is recognised in the Loan impairment expense line in the Income Statement.

When debt securities at fair value through other comprehensive income are derecognised, the cumulative gain or loss recognised in other comprehensive income is reclassified to the Other banking income line in the Income Statement.

Equity securities

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

Investment securities at amortised cost

This category includes debt securities held within the business model whose objective is to hold financial assets in order to collect contractual cash flows. The contractual cash flows on these financial assets comprise the payment of principal and interest only. These securities are initially recognised at their fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method and are presented net of provisions for impairment. For the accounting policy for provisions for impairment, refer to Note 3.2.

6. Other assets

OVERVIEW

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

6.1 Property, plant and equipment

	Group		Bank	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Right-of-use assets [1]				
At cost	**3,505**	–	**3,195**	–
Accumulated depreciation	**(521)**	–	**(470)**	–
Closing balance	**2,984**	**–**	**2,725**	**–**
Land and buildings				
At 30 June valuation	**438**	442	**394**	399
Total land and buildings	**438**	442	**394**	399
Leasehold improvements				
At cost	**1,645**	1,587	**1,465**	1,409
Accumulated depreciation	**(1,109)**	(1,041)	**(999)**	(935)
Closing balance	**536**	546	**466**	474
Equipment				
At cost	**2,171**	2,163	**1,823**	1,857
Accumulated depreciation	**(1,671)**	(1,653)	**(1,456)**	(1,446)
Closing balance	**500**	510	**367**	411
Total right-of-use assets and property, plant and equipment held for own use	**4,458**	1,498	**3,952**	1,284
Assets held as lessor				
At cost	**1,503**	1,202	**136**	136
Accumulated depreciation and impairment	**(359)**	(317)	**(37)**	(31)
Closing balance	**1,144**	885	**99**	105
Total property, plant and equipment	**5,602**	2,383	**4,051**	1,389

1 The adoption of AASB 16 *Leases* on 1 July 2019 resulted in recognition of $2,659 million right-of-use asset by the Group (the Bank: $2,385 million). For details on the adoption of AASB 16, refer to Note 1.1.

6.1 Property, plant and equipment (continued)

Reconciliation of movements in the carrying amount of Property, plant and equipment is set out below:

	Group		Bank	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Right-of-use assets [1]				
Adoption of AASB 16 [2]	**2,659**	**–**	**2,385**	**–**
Additions	**963**	**–**	**894**	**–**
Disposals	**(111)**	**–**	**(82)**	**–**
Depreciation	**(521)**	**–**	**(470)**	**–**
Foreign currency translation adjustment	**(6)**	**–**	**(2)**	**–**
Carrying amount at the end of the period	**2,984**	–	**2,725**	–
Land and buildings				
Carrying amount at the beginning of the year	**442**	440	**399**	397
Additions	**15**	10	**15**	9
Disposals	**(8)**	(18)	**(5)**	(15)
Net revaluations	**24**	38	**20**	37
Depreciation	**(34)**	(34)	**(34)**	(34)
Foreign currency translation adjustment	**(1)**	6	**(1)**	5
Carrying amount at the end of the year	**438**	442	**394**	399
Leasehold improvements				
Carrying amount at the beginning of the year	**546**	537	**474**	444
Additions	**117**	154	**102**	140
Disposals	**(5)**	(12)	**(4)**	(13)
Depreciation	**(118)**	(135)	**(105)**	(117)
Reclassification to assets held for sale	**–**	(23)	**–**	–
Foreign currency translation adjustment	**(4)**	25	**(1)**	20
Carrying amount at the end of the year	**536**	546	**466**	474
Equipment				
Carrying amount at the beginning of the year	**510**	531	**411**	457
Additions	**146**	170	**81**	122
Disposals	**(6)**	–	**(3)**	(4)
Depreciation	**(186)**	(194)	**(159)**	(175)
Reclassification to assets held for sale	**–**	(14)	**–**	–
Foreign currency translation adjustment	**36**	17	**37**	11
Carrying amount at the end of the year	**500**	510	**367**	411
Assets held as lessor				
Carrying amount at the beginning of the year	**885**	1,068	**105**	162
Additions	**567**	–	**–**	–
Disposals	**(144)**	(111)	**–**	(49)
Impairment losses [3]	**(81)**	–	**–**	–
Depreciation	**(83)**	(72)	**(6)**	(8)
Foreign currency translation adjustment	**–**	–	**–**	–
Carrying amount at the end of the year	**1,144**	885	**99**	105

1 Right-of-use assets primarily relate to leases of commercial and retail premises.

2 The adoption of AASB 16 *Leases* on 1 July 2019 resulted in recognition of $2,659 million right-of-use asset by the Group (the Bank: $2,385 million). For details on the adoption of AASB 16, refer to Note 1.1.

3 Due to the impact of COVID-19 on the aviation sector, a total impairment of $81 million was recognised in Other banking income relating to aircraft which are owned by the Group and leased to various airlines.

6.1 Property, plant and equipment (continued)

ACCOUNTING POLICIES

The Group measures its land and buildings at fair value, based on annual independent market valuations performed during the year. These fair values fall under the Level 3 category of the fair value hierarchy as defined in Note 9.5. Revaluation adjustments are reflected in the Asset revaluation reserve, except to the extent they reverse a revaluation decrease of the same asset previously recognised in the Income Statement. Upon disposal, realised amounts in the Asset revaluation reserve are transferred to Retained profits.

Other property, plant and equipment assets are stated at cost, including direct and incremental acquisition costs less accumulated depreciation and impairment if required. Subsequent costs are capitalised where it enhances the asset. Depreciation is calculated using the straight-line method over the asset's estimated useful economic life.

The useful lives of major depreciable asset categories are as follows:

Right-of-use assets	Unexpired lease term
Land	Indefinite, not depreciated
Buildings	Up to 30 years
Equipment	3–8 years
Leasehold improvements	Lower of unexpired lease term or lives as above
Assets held as lessor:	
Aircraft	25 years
Rail	35–40 years
Ships	25–40 years

Leases are entered into to meet the business needs of entities in the Group. Leases are primarily over commercial and retail premises and plant and equipment. Where the Group is a lessee, all leases will be recognised on the Balance Sheet as a lease liability and right-of-use asset, unless the underlying asset is of low value or the lease has a term of 12 months or less. Rentals of leases with low value underlying assets or where the lease term is 12 months or less are recognised over the lease term as Operating expenses in the Income Statement.

Right-of-use assets are initially measured at cost comprising the following:

- the initial amount of the lease liability measured at the present value of the future lease payments;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- an estimate of the costs to be incurred upon disassembling or restoring the underlying asset to the condition required by the terms of the lease.

The right-of-use asset is depreciated over the lease term on a straight-line basis within Operating expenses in the Income Statement.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in the Income Statement if the carrying amount of the right-of-use asset has been fully written down.

Critical accounting judgements and estimates

Judgement has been applied by the Group in assessing which arrangements contain a lease, the period over which the lease exists and the variability of future cash flows when recognising right-of-use assets. The Group assesses at each Balance Sheet date useful lives and residual values and whether there is any objective evidence of impairment.

In determining the value in use of assets held as lessor, the Group incorporates the cash inflows over the lease term, as well as the expected selling price on expiry of the lease. Market disruption, lower demand for assets, decline in asset prices as well as credit events specific to individual lessees can result in a reduction of the asset's recoverable values. There remains significant uncertainty regarding the severity of the impact of COVID-19 on the aviation sector, and the duration of restrictions on domestic and international travel.

If an asset's carrying amount is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

6.2 Intangible assets

	Group 30 Jun 20 $M	Group 30 Jun 19 $M	Bank 30 Jun 20 $M	Bank 30 Jun 19 $M
Goodwill				
Purchased goodwill at cost	**5,284**	5,974	**2,522**	2,522
Closing balance	**5,284**	5,974	**2,522**	2,522
Computer software costs				
Cost	**4,438**	4,837	**3,960**	4,396
Accumulated amortisation	**(3,089)**	(3,125)	**(2,807)**	(2,842)
Closing balance	**1,349**	1,712	**1,153**	1,554
Brand names [1]				
Cost	**201**	203	**186**	186
Accumulated amortisation	**–**	(2)	**–**	–
Closing balance	**201**	201	**186**	186
Other intangibles [2]				
Cost	**267**	351	**231**	219
Accumulated amortisation	**(157)**	(273)	**(141)**	(164)
Closing balance	**110**	78	**90**	55
Total intangible assets	**6,944**	7,965	**3,951**	4,317

1 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 recognised during the year. The Count Financial brand name of $3 million was impaired during the year ended 30 June 2019.

2 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 $99 million (30 June 2019: $54 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 11.8x–12.7x (2019: 11.6x–12.0x).

Goodwill allocation to cash generating units

	Group 30 Jun 20 $M	Group 30 Jun 19 $M	Bank 30 Jun 20 $M	Bank 30 Jun 19 $M
Retail Banking Services	**3,744**	3,744	**1,988**	1,988
Business and Private Banking	**1,267**	1,271	**534**	534
Wealth Management	**–**	679	**–**	–
New Zealand	**262**	269	**–**	–
IFS and Other	**11**	11	**–**	–
Total	**5,284**	5,974	**2,522**	2,522

Notes to the financial statements

For the year ended 30 June 2020

6.2 Intangible assets (continued)

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

	Group		Bank	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Goodwill				
Opening balance	**5,974**	6,941	**2,522**	2,522
Additions	**–**	–	**–**	–
Transfers/disposals/other adjustments [1]	**(690)**	(967)	**–**	–
Closing balance	**5,284**	5,974	**2,522**	2,522
Computer software costs				
Opening balance	**1,712**	1,819	**1,554**	1,682
Additions [2]	**407**	343	**384**	287
Amortisation and write-offs [3]	**(769)**	(450)	**(785)**	(415)
Reclassification to assets held for sale	**(1)**	–	**–**	–
Closing balance	**1,349**	1,712	**1,153**	1,554
Brand names				
Opening balance	**201**	205	**186**	186
Additions	**–**	–	**–**	–
Impairment [4]	**–**	(4)	**–**	–
Closing balance	**201**	201	**186**	186
Other intangibles				
Opening balance	**78**	125	**55**	76
Additions	**210**	140	**209**	142
Amortisation and impairment [5]	**(178)**	(187)	**(174)**	(163)
Closing balance	**110**	78	**90**	55

1 Includes reclassifications to Assets held for sale and foreign currency revaluation.
2 Primarily relates to internal development costs.
3 Includes amounts associated with discontinued operations.
4 The Count Financial brand name of $3 million was impaired during the year ended 30 June 2019.
5 Customer relationship intangibles in relation to Count Financial of $13 million were impaired during the year ended 30 June 2019.

Notes to the financial statements

For the year ended 30 June 2020

6.2 Intangible assets (continued)

ACCOUNTING POLICIES

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

Goodwill

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

Computer software costs

Certain internal and external costs directly incurred in acquiring and developing software, are capitalised and amortised over the estimated useful life on a straight-line basis. The majority of software projects are amortised over two to five years. Software maintenance is expensed as incurred.

During the year ended 30 June 2020, the Group changed the amortisation method for its core banking software, which was previously amortised on a straight-line basis over ten years. The core banking software is now amortised applying a diminishing balance methodology, over a useful life of approximately nine years. The financial impact of this change is presented in Note 2.4.

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 was fully impaired during the year ended 30 June 2019.

Other intangibles

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

Critical accounting judgements and estimates

Goodwill is allocated to CGUs whose recoverable amount is calculated for the purpose of impairment testing. The recoverable amount calculation relies primarily on publicly available earnings multiples, which are disclosed on page 179.

6.3 Other assets

		Group		Bank [1]	
		30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19
	Note	$M	$M	$M	$M
Accrued interest receivable		**1,901**	2,421	**1,980**	2,527
Accrued fees and reimbursements receivable [2]		**1,067**	1,117	**216**	258
Securities sold not delivered		**3,640**	1,893	**3,002**	1,323
Intragroup current tax receivable		**–**	–	**209**	320
Current tax assets		**16**	624	**10**	609
Prepayments		**333**	291	**217**	190
Defined benefit superannuation plan surplus	10.2	**681**	462	**681**	462
Other [3]		**1,201**	307	**602**	171
Total other assets		**8,839**	7,115	**6,917**	5,860

1 Information has been restated to reflect the change in accounting policy detailed in Note 1.1.
2 Accrued fees and reimbursements receivable as at 30 June 2020 include trail commission receivable of $453 million for the Group (30 June 2019: $442 million).
3 As at 30 June 2020, other assets include $654 million of proceeds receivable in relation to divestments of businesses.

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 accrual or service performed basis and amortised over the period in which the economic benefits from these assets are received. Further defined benefit plan details are provided in Note 10.2.

7. Other liabilities

OVERVIEW

Other liabilities include provisions, interest payable, fees and bills payable and unsettled trades. Provisions principally cover annual leave and long service leave employee entitlements as well as general insurance claims, provisions for customer remediation, compliance and regulation programs and litigations. It also includes provisions for impairment losses on financial guarantees and other off Balance Sheet instruments issued by the Group.

Certain provisions involve significant judgement to determine the likely outcome of events as well as a reliable estimate of the outflow. Where future events are uncertain, or where the outflow cannot be reliably determined, these are disclosed as contingent liabilities. Contingent liabilities are not recognised on the Group's Balance Sheet but are disclosed in Note 12.1. Contingent liabilities in respect of litigation, investigations and reviews are disclosed in Note 7.1.

7.1 Provisions

		Group [1]		Bank [1]	
		30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19
	Note	$M	$M	$M	$M
Employee entitlements		**1,039**	970	**910**	906
General insurance claims		**338**	292	**–**	–
Customer remediation		**1,031**	959	**1,034**	901
Dividends	8.4	**121**	119	**121**	119
Compliance and regulation		**188**	213	**188**	213
Restructuring		**324**	240	**321**	242
Off Balance Sheet instruments		**119**	84	**113**	82
Other [2]		**248**	91	**227**	91
Total provisions		**3,408**	2,968	**2,914**	2,554

1 Comparative information has been restated to conform to presentation in the current year.
2 The adoption of AASB 16 *Leases* on 1 July 2019 resulted in an increase of $135 million in the Group's make-good provisions in relation to property leases (Bank: $121 million). As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16, refer to Note 1.1.

Maturity distribution of provisions

	Group [1]		Bank [1]	
	30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19
	$M	$M	$M	$M
Less than 12 months	**2,826**	2,501	**2,416**	2,042
More than 12 months	**582**	467	**498**	512
Total provisions	**3,408**	2,968	**2,914**	2,554

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

Notes to the financial statements

For the year ended 30 June 2020

7.1 Provisions (continued)

	Group [1]		Bank [1]	
	30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19
Reconciliation	$M	$M	$M	$M
General insurance claims:				
Opening balance	**292**	219	**–**	–
Movement in reinsurance and other recoveries on outstanding claims	**61**	19	**–**	–
Net claims incurred	**573**	528	**–**	–
Movement in prior year claims	**(16)**	7	**–**	–
Amounts utilised during the year	**(572)**	(481)	**–**	–
Closing balance	**338**	292	**–**	–
Customer remediation:				
Opening balance	**959**	162	**901**	134
Additional provisions [2]	**445**	963	**448**	903
Amounts utilised during the year	**(327)**	(166)	**(315)**	(136)
Reclassification to liabilities held for sale	**(46)**	–	**–**	–
Closing balance	**1,031**	959	**1,034**	901
Compliance and regulation:				
Opening balance	**213**	283	**213**	283
Additional provisions [3]	**107**	125	**107**	125
Amounts utilised during the year	**(132)**	(188)	**(132)**	(188)
Release of provisions	**–**	(7)	**–**	(7)
Closing balance	**188**	213	**188**	213
Restructuring:				
Opening balance	**240**	174	**242**	172
Additional provisions	**223**	220	**218**	222
Amounts utilised during the year	**(115)**	(154)	**(115)**	(152)
Release of provisions	**(24)**	–	**(24)**	–
Closing balance	**324**	240	**321**	242
Off Balance sheet instruments:				
Opening balance	**84**	28	**82**	28
Changes on adoption of AASB 9	**–**	87	**–**	84
Additional provisions	**48**	–	**44**	–
Amounts utilised during the year	**(13)**	–	**(13)**	–
Release of provisions	**–**	(31)	**–**	(30)
Closing balance	**119**	84	**113**	82
Other:				
Opening balance	**91**	155	**91**	150
Changes on adoption of AASB 16 [4]	**135**	–	**121**	–
Additional provisions	**46**	32	**43**	31
Amounts utilised during the year	**(24)**	(90)	**(28)**	(90)
Reclassification to liabilities held for sale	**–**	(6)	**–**	–
Closing balance	**248**	91	**227**	91

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

2 Customer remediation includes provisions 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, Better Risk Outcomes Program (BROP) and litigation related costs.

4 The adoption of AASB 16 *Leases* on 1 July 2019 resulted in an increase of $135 million in the Group's make-good provisions in relation to property leases (Bank: $121 million). As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16, refer to Note 1.1.

ACCOUNTING POLICIES

Provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated. Where the effect of the time value of money is material, the amount of the provision is measured as the present value of expenditures required to settle the obligation, based on a market observable rate.

Notes to the financial statements

For the year ended 30 June 2020

7.1 Provisions (continued)

Provisions for employee entitlements (such as long service leave, annual leave and other employee benefits)

This provision is calculated based on expected payments. Where the payments are expected to be more than one year in the future, 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.

General insurance claims

This provision is to cover future claims on general insurance contracts that have been incurred but not reported and reinsurance arrangements. The provision will be realised upon settlement of claims whose maturities were uncertain at the reporting date.

Customer remediation

This provision covers customer remediation costs and related program costs.

Compliance and regulation

This provision relates to project and other administrative costs associated with certain compliance and regulatory programs of the Group.

Restructuring provision

The provision includes direct expenditures arising from changes in the scope of the Group's business relating primarily to divestment transactions. The provision includes costs, which are both necessarily entailed by the divestment and are not associated with the ongoing activities of the Group. A provision for restructuring costs is only recognised when the Group has a detailed formal restructuring plan and the restructuring has either commenced or has been publicly announced.

Other provisions

Other provisions include self-insurance provisions, make-good provisions in relation to property leases, and provisions for certain other costs.

Critical accounting judgements and estimates

Provisions are held in respect of a range of future obligations, some of which involve significant judgement about the likely outcome of various events and estimated future cash flows.

Customer remediation

Provisions for customer remediation require significant levels of estimation and judgement. The amount raised depends on a number of different assumptions, such as the number of years impacted, the forecast refund rate and the average cost per case. The Group is committed to comprehensively and efficiently addressing the full range of remediation issues impacting customers of the Banking and Wealth Management businesses. Significant resources have been committed to a comprehensive program of work, to ensure that all issues are identified and addressed.

Aligned Advice remediation – ongoing service fees

Aligned advisors were not employed by the Group but were representatives authorised to provide financial advice under the licences of the Group's subsidiaries, Financial Wisdom Limited (FWL), Count Financial Limited (Count Financial) and Commonwealth Financial Planning Limited - Pathways (CFP-Pathways).

The Group completed the sale of Count Financial to CountPlus Limited (CountPlus) on 1 October 2019, and ceased providing licensee services through CFP-Pathways and Financial Wisdom in March and June 2020, respectively. The Bank entered into reimbursement agreements with Financial Wisdom and CFP-Pathways, and an indemnity deed with CountPlus, to cover potential remediation of past issues including ongoing service fees. For details on the reimbursement agreements and the indemnity deed, refer to Note 11.2.

During the year ended 30 June 2020, the Group recognised a net increase in the provision for Aligned Advice remediation issues and program costs of $300 million, including ongoing service fees charged where no service was provided. As at 30 June 2020, the provision held by the Group in relation to Aligned Advice remediation was $804 million (30 June 2019: $534 million). The provision includes $418 million for customer fee refunds (30 June 2019: $251 million), $280 million for interest on fees subject to refunds (30 June 2019: $123 million) and $106 million for costs to implement the remediation program (30 June 2019: $160 million).

The Group's estimate of the proportion of fees to be refunded is based on sample testing and assumes a refund rate of 37% (30 June 2019: 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 $20 million (30 June 2019: $15 million).

The Group is continuing to engage with ASIC in relation to its remediation approach.

Banking and other Wealth customer remediation

During the year ended 30 June 2020, the Group raised an additional $94 million provision for Banking and other Wealth customer remediation programs (30 June 2019: $384 million). As at 30 June 2020, the provision held by the Group in relation to Banking and other Wealth customer remediation was $227 million (30 June 2019: $384 million).

The provision for Banking remediation includes an estimate of customer refunds (including interest) relating to business banking products (including bank guarantees, cash deposit accounts, merchants billing and certain commercial lending products), retail banking products (including home loans and other retail products), and the related program costs.

The Wealth remediation provision includes an estimate of customer refunds (including interest) relating to advice quality, transactions with deceased estates, the Loan Protection Insurance product, certain superannuation and other products, and the related program costs.

Notes to the financial statements

For the year ended 30 June 2020

7.1 Provisions (continued)

Litigation, investigations and reviews

The Group is party to a number of legal proceedings, and the subject of various investigations and reviews. Provisions have been raised where indicated in accordance with the principles outlined in the accounting policy section of this note.

Litigation

The main litigated claims against the Group as at 30 June 2020 are summarised below.

Shareholder class actions

In October 2017 and June 2018 two separate shareholder class action proceedings were filed against CBA in the Federal Court of Australia, alleging breaches of CBA's continuous disclosure obligations and misleading and deceptive conduct in relation to the subject matter of the civil penalty proceedings brought against CBA by the Australian Transaction Reports and Analysis Centre (AUSTRAC). The AUSTRAC proceedings concerned contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth).

The resolution of the AUSTRAC civil penalty proceedings was approved by the Federal Court on 20 June 2018 with CBA paying a penalty of $700 million and legal costs.

It is alleged in the class actions that CBA shareholders who acquired an interest in CBA shares between 16 June 2014 and 3 August 2017 suffered losses as a result of the alleged conduct. The two class actions are being case managed together, with a single harmonised statement of claim. CBA denies the allegations made against it, and it is currently not possible to determine the ultimate impact of these claims, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of the claims.

Superannuation class actions

The Group is also defending four class action claims in relation to superannuation products.

On 9 October 2018, a class action was filed against Colonial First State Investments Limited (CFSIL) and CBA in the Federal Court of Australia. The claim initially related to investment in cash and deposit options (which are cash and deposit products provided by CBA) in the Colonial First State First Choice Superannuation Trust and Commonwealth Essential Super. A second further amended statement of claim and amended application was filed on 2 June 2020, joining Avanteos Investments Limited (AIL) as a party in respect of claims regarding the FirstWrap Pooled Cash Account and expanding the existing claims made against CFSIL and CBA. The main claims are that members invested in these cash and deposit options received lower interest rates than they could have received had CFSIL/AIL offered similar products made available in the market by another bank with comparable risk and that CFSIL/AIL retained the margin that arises through the internal transfer pricing process in respect of deposits made with CBA, for their own benefit. It is claimed CFSIL/AIL breached their duties as a trustee of the funds, CFSIL breached its duties as a Responsible Entity of the underlying managed investment schemes and that CBA was involved in CFSIL/AIL's breaches. CBA, CFSIL and AIL deny the allegations and are defending the proceedings. The Court has ordered the parties to participate in a mediation of this matter, which is scheduled to take place on 3 September 2020.

On 18 October 2019 another class action was commenced against CFSIL in the Federal Court of Australia. The claim relates to certain fees charged to members of the Colonial First State First Choice Superannuation Trust. It is alleged that CFSIL breached its duties as trustee and acted unconscionably because it failed, between 2013 and 2019, to take steps to avoid the payment of grandfathered commissions to financial advisers, which would have resulted in a reduction of the fees paid by members in respect of whom those commissions were paid. CFSIL denies the allegations and is defending the proceedings. The Court has ordered the parties to participate in a mediation of this matter by 18 December 2020.

On 24 October 2019 a third class action was filed against CFSIL and a former executive director of CFSIL in the Federal Court of Australia, relating to alleged contraventions of statutory obligations under superannuation law and trustee breaches in the period 2013 to 2017. The class action relates to the transfer of certain default balances held by members of FirstChoice Employer Super to a MySuper product. The key allegation is that members should have been transferred to a MySuper product earlier than they were, and that the alleged failure to effect the transfer as soon as reasonably practical caused affected members to pay higher fees and receive lower investment returns during the point of delay. The allegations are denied and CFSIL and its former director are defending the class action. The Court has ordered the parties to participate in a mediation which will take place on 20 November 2020.

On 22 January 2020, a fourth class action was filed against CFSIL and The Colonial Mutual Life Assurance Society Limited (CMLA) in the Federal Court of Australia. The class action alleges that CFSIL did not act in the best interests of members and breached its trustee duties when taking out group insurance policies obtained from CMLA. The key allegation is that CFSIL entered into and maintained insurance policies with CMLA on terms that were less favourable to members than would have reasonably been available in the market. It is alleged that CMLA was knowingly involved in CFSIL's contraventions as trustee and profited from those contraventions. The allegations are denied and CFSIL and CMLA are defending the class action.

The Group has provided for the legal costs expected to be incurred in the defence of the claims.

US BBSW class action

In 2016 a class action was commenced in the United States District Court in New York against CBA, other banks and two brokers, claiming a conspiracy among competitors to manipulate the BBSW benchmark for mutual gain. The claims include allegations that United States racketeering and antitrust legislation have been contravened. In November 2018, the Court dismissed the claims against CBA and the other foreign defendants, but in April 2019, an amended complaint was filed that included new allegations and added a new named plaintiff. The defendants applied to the Court to dismiss the amended complaint. In February 2020, the judge determined that the new named plaintiff's claims could proceed against CBA and nine other banks. CBA denies the allegations and will be defending the class action. The breadth of the putative class (if any) that may be allowed to claim against CBA will not be determined until at the earliest August 2021. The preparation of the substantive proceedings has now commenced.

Notes to the financial statements

For the year ended 30 June 2020

7.1 Provisions (continued)

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of this class action.

Consumer credit insurance class action

On 10 June 2020 a class action was commenced against CBA and CMLA in the Federal Court of Australia. The claim relates to consumer credit insurance for credit cards and personal loans that was sold between 1 January 2010 and 7 March 2018. The class action alleges that CBA and CMLA engaged in unconscionable and misleading or deceptive conduct, failed to act in the best interests of customers and provided them with inappropriate advice. In particular, it is alleged that some customers were excluded from claiming certain benefits under the policies and the insurance was therefore unsuitable or of no value. Allegations are also made in relation to the manner in which the insurance was sold. The Court has made orders requiring CBA and CMLA to file their responses to the claim by 21 September 2020. It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of this class action.

ASIC regulatory enforcement proceedings

CFSIL My Super

On 17 March 2020 ASIC commenced civil penalty proceedings against CFSIL in the Federal Court of Australia for alleged breaches of the *Australian Securities and Investments Commission Act 2001* (Cth) and *Corporations Act 2001* (Cth) (Corporations Act) arising from communications with members of the FirstChoice Fund. In 2012, the Australian government passed legislation requiring trustees, such as CFSIL to allocate member contributions to a default "MySuper" superannuation product in certain circumstances. ASIC alleges, amongst other things, that CFSIL communicated with members both in template letters and on telephone calls, in a misleading or deceptive manner regarding the provision of investment directions to stay with CFSIL's FirstChoice Fund rather than transitioning to CFSIL's MySuper product.

CFSIL filed its response to the claim on 17 July 2020. It is currently not possible to determine the ultimate impact of this claim. The Group has provided for legal costs expected to be incurred in the defence of this claim.

Commonwealth Essential Super

On 22 June 2020 ASIC commenced civil penalty proceedings against CFSIL and CBA in the Federal Court of Australia for alleged contraventions of the conflicted remuneration provisions in the Corporations Act relating to the arrangements between CFSIL and CBA for the distribution of Commonwealth Essential Super (CES). CES is a superannuation product issued by CFSIL. It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of this claim.

Ongoing regulatory investigations and reviews

The Group undertakes ongoing compliance activities, including breach reporting, reviews of products, advice, conduct and services provided to customers, as well as interest, fees and premiums charged. Some of these activities have resulted in remediation programs and where required the Group consults with the relevant regulator on the proposed remediation action.

Provisions have been recognised by the Group where the criteria outlined in the accounting policy section of this note are satisfied. Contingent liabilities exist with respect to these matters where it is not possible to determine the extent of any obligation to remediate or the potential liability cannot be reliably estimated.

There are also a number of ongoing matters where regulators are investigating whether CBA or a Group entity has breached legal or regulatory obligations. Where a breach has occurred, regulators are likely to impose, or apply to a Court for, fines and/or other sanctions. These matters include investigations by APRA and ASIC of issues which were referred to them by the Financial Services Royal Commission, as well as a number of other matters notified to, or identified by, regulators.

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

These investigations include ASIC's investigation regarding the AUSTRAC proceedings noted above. 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 concerning the matters the subject of the AUSTRAC proceedings. ASIC is also investigating, among other things, whether the directors and officers of CBA complied with other specific obligations under the Corporations Act. It is currently not possible to determine 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.

Fair Work Ombudsman (FWO) investigation

The FWO's investigation in relation to CBA's self-disclosure of discrepancies in employee arrangements and entitlements is ongoing, and CBA continues to engage with FWO and respond to its requests for information. It is currently not possible to determine the ultimate impact of this investigation on the Group.

CBA is continuing with its broad review of employee entitlements and is remediating impacted current and former employees as the review progresses. We continue to update both the FWO and the Finance Sector Union and will provide a broader update on progress in due course. The Group holds a provision for remediation and program costs related to this matter.

Notes to the financial statements

For the year ended 30 June 2020

7.1 Provisions (continued)

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* (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 yet to be finally determined. That finding, if extrapolated to ASB's entire workforce, would result in an estimated liability of NZD 33 million in total for the preceding six years' annual holiday payments. ASB continues to engage with the Labour Inspectorate on the matter. The Group holds a provision for this matter.

Home loan pricing inquiry

In October 2019, the ACCC commenced an industry-wide inquiry into home loan pricing. The inquiry involves consideration of a wide range of issues including the interest rates paid by new and existing customers, how the cost of financing for banks has affected bank decisions on interest rates and barriers to customers switching home loans with the focus on the period since 1 January 2019. CBA is co-operating with the ACCC in its requests for information. The ACCC published an interim report on 27 April 2020. The final report from the inquiry is due by 30 November 2020.

Other regulatory matters

The following matters were significant regulatory investigations and reviews, which have been completed, but have resulted in ongoing action required by the Group.

Enforceable undertaking to ASIC (foreign exchange)

In December 2016 CBA provided an enforceable undertaking (EU) to ASIC arising from an investigation into wholesale spot foreign exchange (FX) trading between 2008 and 2013. The EU included the engagement of an independent expert, to review and assess the changes we have made to our trading operating model in recent years, including in training, procedures and oversight.

It also included a voluntary contribution of $2.5 million to support the further development of financial literacy education relating to changes to delivery of care in the aged care sector.

CBA provided details of the implementation of its Final FX EU Program to ASIC in March 2019. The independent expert conducted an assessment of CBA's implementation and submitted its final expert report on 31 May 2019. The report highlighted certain terms of the consolidated Final FX EU Program, which were yet to be implemented, certain matters that could not be assessed and some other areas for improvement. CBA has steps underway to address the matters raised in the independent expert's report and is having ongoing discussions with ASIC in respect of the FX EU Program.

Prudential inquiry into CBA and enforceable undertaking to APRA

On 28 August 2017 APRA announced it would establish an independent prudential inquiry (the Inquiry) into the Group focusing on the governance, culture and accountability frameworks and practices within the Group. The final report of the Inquiry was released on 1 May 2018 (the Final Report). The Final Report made a number of findings regarding the complex interplay of organisational and cultural factors within the Group and the need for enhanced management of non-financial risks. In response to the Final Report, the Group acknowledged that it will implement all of the recommendations and agreed to adjust its minimum operational risk capital requirements by an additional $1 billion (an impact to risk weighted assets of $12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction.

CBA has entered into an EU under which CBA's remedial action (Remedial Action Plan) in response to the Final Report would be agreed and monitored regularly by APRA. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan also provides a comprehensive assurance framework, with Promontory Australasia (Sydney) Pty Ltd (Promontory) having been appointed as the independent reviewer, and which is required to report to APRA on the Group's progress against committed milestones every 3 months.

Promontory is continuing to provide APRA with quarterly progress reports, and CBA is committed to report publicly on its progress against the Remedial Action Plan twice a year. Six Promontory reports have 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 176 milestones on schedule to be delivered by the applicable due dates.

The Group has provided for costs associated with the implementation of the Remedial Action Plan.

Financial crime compliance

As noted above, in 2018 the Group resolved the AUSTRAC proceedings relating to contraventions of anti-money laundering/counter-terrorism financing (AML/CTF) laws.

Recognising the crucial role that the Group plays in fighting financial crime, it continues to strengthen and invest significantly in its financial crime capabilities, including in its AML/CTF Compliance team and through the Program of Action with coverage across all aspects of financial crime (including anti-money laundering/counter-terrorism financing, sanctions and anti-bribery and corruption) and all business units. The Group has provided for costs of running the Program of Action.

The Group provides updates to AUSTRAC and the Group's other regulators on the Program of Action implemented by the Group following the civil penalty proceedings commenced against it by AUSTRAC.

However, there is no assurance that AUSTRAC or the Group's other regulators will agree that the Group's Program of Action will be adequate or that the Program of Action will effectively enhance the Group's financial crime compliance programs across its business units and the jurisdictions in which it operates. While the Group is not currently aware of any other enforcement action by other domestic or foreign regulators in respect of its financial crime compliance, there can be no assurance that the Group will not be subject to such enforcement actions in the future.

Notes to the financial statements

For the year ended 30 June 2020

7.1 Provisions (continued)

Enforceable undertaking to ASIC (BBSW)

On 21 June 2018, the Federal Court approved an agreement between CBA and ASIC to resolve proceedings concerning alleged market manipulation and unconscionable conduct in respect of the bank bill market. CBA paid a civil penalty of $5 million and a community benefit payment of $15 million to Financial Literacy Australia. It also agreed to pay ASIC's costs of the investigation and legal costs. The Group provided for these costs in an earlier period.

As part of the settlement CBA also entered into an EU with ASIC under which CBA undertook to engage an independent expert to assess changes it has made (and will make) to its policies, procedures, controls systems, training, guidance and framework for the monitoring and supervision of employees and trading in Prime Bank Bills and CBA's BBSW-referenced product businesses. On 5 October 2018, CBA appointed EY as the independent expert. CBA 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 its 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 delivered its report on CBA's Final BBSW Program on 30 August 2019. Once the terms of the Final BBSW Program are agreed to by ASIC, that program will be implemented. The Group has provided for costs associated with implementation of the BBSW program.

Enforceable undertaking to the Office of Australian Information Commissioner (OAIC)

In June 2019, the Australian Information Commissioner (Commissioner) accepted an EU offered by CBA, which requires further enhancements to the management and retention of customer personal information within CBA and certain subsidiaries.

The EU follows CBA's work to address two incidents: one relating to the disposal by a third party of magnetic data tapes containing historical customer statements and the other relating to potential unauthorised internal user access to certain systems and applications containing customer personal information. CBA reported the incidents to the Commissioner in 2016 and 2018 respectively and has since been working to address these incidents. CBA found no evidence that its customers' personal information was compromised by the incident reported in 2016, and has found no evidence to date that there have been any instances of unauthorised access by CBA employees or third parties as a result of the incident reported in 2018.

The Group has provided for certain costs associated with implementation and compliance with the EU provided to the Commissioner.

Other matters

Exposures to divested businesses

The Group has potential exposures to divested businesses, including through the provision of services, warranties and indemnities. These exposures may have an adverse impact on the Group's financial performance and position. The Group has recognised provisions where payments in relation to the exposures are probable and reliably measurable.

7.2 Bills payable and other liabilities

	Group [1]		Bank [1, 2]	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Bills payable	**657**	756	**582**	664
Accrued interest payable	**1,693**	2,676	**1,366**	2,238
Accrued fees, employee incentives and other items payable [3]	**1,738**	2,173	**1,434**	1,689
Securities purchased not delivered	**3,850**	2,414	**3,061**	1,774
Unearned income [4]	**1,415**	1,439	**888**	1,011
Lease liabilities [5]	**3,112**	–	**2,861**	–
Other	**723**	610	**1,674**	1,311
Total bills payable and other liabilities	**13,188**	10,068	**11,866**	8,687

1 Comparative information has been restated to conform to presentation in the current year.
2 Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.1.
3 Accrued fees payable as at 30 June 2020 include trail commissions payable of $200 million for the Group (30 June 2019: $265 million).
4 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 $616 million and $592 million, respectively, as income for the period ended 30 June 2020 (30 June 2019: $643 million for the Group and $622 million for the Bank).
5 Current period amounts reflect the adoption of AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.

ACCOUNTING POLICIES

Bills payable and Other liabilities include accrued interest payable, accrued incentives payable, accrued fees payable, lease liabilities and unearned income. Bills payable and Other liabilities are measured at the contractual amount payable. As most payables are short-term in nature, the contractual amount payable approximates fair value.

Where the Group is a lessee, all leases will be recognised on the Balance Sheet as a lease liability and right-of-use asset, unless the underlying asset is of low value or the lease has a term of 12 months or less. Rentals of leases with low value underlying assets or where the lease term is 12 months or less are recognised over the lease term as Operating expenses in the Income Statement. Lease liabilities are initially measured at the net present value of the following lease payments (if applicable):

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in the above. When lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in the Income Statement if the carrying amount of the right-of-use asset has been fully written down. Lease liabilities are measured at amortised cost using the effective interest method.

8. Our capital, equity and reserves

OVERVIEW

The Group maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors and adequate return to its shareholders. The Group's shareholders' equity includes issued ordinary shares, retained earnings and reserves.

This section provides analysis of the Group's shareholders' equity including changes during the period.

8.1 Capital adequacy

The Bank is an Authorised Deposit-taking Institution (ADI) regulated by APRA under the authority of the *Banking Act 1959*. APRA has set minimum regulatory capital requirements for banks based on the Basel Committee on Banking Supervision (BCBS) guidelines.

The Basel III measurement and monitoring of capital has been effective from 1 January 2013. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and also adopted an accelerated timetable for implementation. The requirements define what is acceptable as capital and provide methods of measuring the risks incurred by the Bank.

The regulatory capital requirements are measured for the Extended Licenced Entity Group (known as "Level 1", comprising the Bank and APRA approved subsidiaries) and for the Bank and all of its banking subsidiaries, which includes ASB Bank (known as "Level 2" or the "Group").

All entities which are consolidated for accounting purposes are included within the Group capital adequacy calculations except for:

- the insurance and funds management operating subsidiaries; and
- the entities through which securitisation of Group assets are conducted.

Regulatory capital is divided into Common Equity Tier 1 (CET1), Additional Tier 1 Capital and Tier 2 Capital. CET1 primarily consists of shareholders' equity, less goodwill and other prescribed adjustments. Additional Tier 1 Capital is comprised of high quality capital providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors and provides for fully discretionary capital distributions. Tier 1 capital is the aggregate of CET1 and Additional Tier 1 Capital. Tier 2 Capital is hybrid and debt instruments that fall short of necessary conditions to qualify as Additional Tier 1 to APRA. Total Capital is the aggregate of Tier 1 and Tier 2 Capital.

The tangible component of the investment in the insurance and funds management operations are deducted 100% from CET1.

Capital adequacy is measured by means of risk based capital ratios. The capital ratios reflect capital (CET1, Additional Tier 1, Tier 2 and Total Capital) as a percentage of total Risk Weighted Assets (RWA). RWA represents an allocation of risks associated with the Group's assets and other related exposures.

The Group has a range of instruments and methodologies available to effectively manage capital. These include share issues and buybacks, dividend and DRP policies, hybrid capital raising and dated and undated subordinated loan capital issuances. All major capital related initiatives require approval of the Board.

The Group's capital position is monitored on a continuous basis and reported monthly to the Executive Leadership Team, Asset and Liability Committee and at regular intervals throughout the year to the Board.

The Group's capital ratios throughout the 2018, 2019 and 2020 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.

Notes to the financial statements

For the year ended 30 June 2020

8.2 Loan capital

		Currency amount (M)	Endnotes	Group 30 Jun 20 $M	Group 30 Jun 19 $M	Bank 30 Jun 20 $M	Bank 30 Jun 19 $M
Tier 1 loan capital							
Undated	FRN	USD 100	1	**146**	143	**146**	143
Undated	PERLS VII	AUD 3,000	2	**2,991**	2,985	**2,991**	2,985
Undated	PERLS VIII	AUD 1,450	2	**1,446**	1,441	**1,446**	1,441
Undated	PERLS IX	AUD 1,640	2	**1,633**	1,628	**1,633**	1,628
Undated	PERLS X	AUD 1,365	2	**1,358**	1,356	**1,354**	1,352
Undated	PERLS XI	AUD 1,590	2	**1,581**	1,580	**1,578**	1,576
Undated	PERLS XII	AUD 1,650	2	**1,636**	–	**1,634**	–
Total Tier 1 loan capital				**10,791**	9,133	**10,782**	9,125
Tier 2 loan capital							
AUD denominated			3	**1,364**	1,774	**1,364**	1,774
USD denominated			4	**8,362**	4,616	**8,362**	4,616
JPY denominated			5	**993**	968	**993**	968
NZD denominated			6	**372**	379	**–**	–
EUR denominated			7	**3,674**	5,259	**3,674**	5,259
Other currencies denominated			8	**114**	318	**114**	318
Total Tier 2 loan capital				**14,879**	13,314	**14,507**	12,935
Fair value hedge adjustments				**1,687**	519	**1,675**	509
Total loan capital [1]				**27,357**	22,966	**26,964**	22,569

1 Loan capital includes unrealised movements of $1,350 million predominantly due to foreign exchange gains and losses and fair value hedge adjustments.

As at 30 June 2020, there were no securities issued by the Group and the Bank that were contractually due for redemption in the next 12 months (30 June 2019: $1,604 million for the Group, $1,620 for the Bank). The Group has the right to call some securities before the contractual maturity.

1. USD100 million floating rate notes

On 15 October 1986, the State Bank of Victoria issued USD125 million of floating rate notes, the current outstanding balance is USD100 million. The floating rate notes are perpetual but were able to be redeemed from October 1991. They were assigned to the Bank on 1 January 1991.

The Bank entered into an agreement with the Commonwealth of Australia on 31 December 1991 which provides that, if certain events occur, the Bank may either issue CBA ordinary shares to the Commonwealth of Australia, or (with the consent of the Commonwealth of Australia) conduct a renounceable rights issue for CBA ordinary shares to all shareholders. The capital raised must be used to pay any amounts due and payable on the floating rate notes.

The floating rate notes were issued into the international markets and are subject to English law. They qualify as Additional Tier 1 Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA.

2. PERLS VII, PERLS VIII, PERLS IX, PERLS X, PERLS XI and PERLS XII

On 1 October 2014, the Bank issued $3,000 million of CommBank PERLS VII Capital Notes (PERLS VII). On 30 March 2016, the Bank issued $1,450 million of CommBank PERLS VIII Capital Notes (PERLS VIII). On 31 March 2017, the Bank issued $1,640 million of CommBank PERLS IX Capital Notes (PERLS IX). On 6 April 2018, the Bank issued $1,365 million of CommBank PERLS X Capital Notes (PERLS X). On 17 December 2018, the Bank issued $1,590 million of CommBank PERLS XI Capital Notes (PERLS XI). On 14 November 2019, the Bank issued $1,650 million of CommBank PERLS XII Capital Notes (PERLS XII). PERLS VII, PERLS VIII, PERLS IX, PERLS X, PERLS XI and PERSL XII are subordinated, unsecured notes.

PERLS VII, PERLS VIII, PERLS IX, PERLS X, PERLS XI and PERLS XII are listed on the ASX and are subject to New South Wales law. They qualify as Additional Tier 1 Capital of the Bank under Basel III as implemented by APRA.

3. AUD denominated Tier 2 loan capital issuances

- $25 million subordinated floating rate notes, issued April 1999, due April 2029;
- $1,000 million subordinated notes issued November 2014, and redeemed in November 2019
- $750 million subordinated notes issued June 2016, due June 2026;
- $100 million subordinated Euro Medium Term Notes (EMTN) issued September 2019, due September 2034;
- $280 million subordinated notes issued March 2020, due March 2035; and
- $210 million subordinated notes issued May 2020, due May 2035.

Notes to the financial statements

For the year ended 30 June 2020

8.2 Loan Capital (continued)

4. USD denominated Tier 2 loan capital issuances

- USD1,250 million subordinated notes issued December 2015, due December 2025;
- USD750 million subordinated EMTN issued October 2016, due October 2026;
- USD1,250 million subordinated notes issued January 2018, due in January 2048;
- USD1,250 million subordinated Medium Term Notes (MTN) issued September 2019, due September 2034; and
- USD1,250 million subordinated MTN issued September 2019, due in September 2039.

5. JPY denominated Tier 2 loan capital issuances

- JPY20 billion perpetual subordinated EMTN, issued February 1999;
- JPY40 billion subordinated EMTNs issued December 2016 (three tranches JPY20 billion, JPY10 billion and JPY10 billion), due December 2026; and
- JPY13.3 billion subordinated EMTN issued March 2017, due March 2027.

6. NZD denominated Tier 2 loan capital issuances

- NZD400 million subordinated, unsecured notes, issued November 2016, due December 2026:

  On 30 November 2016, ASB Bank Limited issued NZD400 million subordinated, unsecured notes (ASB Notes 2) with a face value of NZD1 each. ASB Notes 2 are listed on the New Zealand Stock Exchange (NZX) debt market and are subject to New South Wales and New Zealand law. They qualify as Tier 2 Capital of the Bank and ASB under Basel III as implemented by APRA and the RBNZ.

7. EUR denominated Tier 2 loan capital issuances

- EUR1,000 million subordinated notes, issued August 2009, and redeemed in August 2019;
- EUR1,250 million subordinated notes issued April 2015, due April 2027; and
- EUR1,000 million subordinated EMTN, issued October 2017, due October 2029.

8. Other foreign currency denominated Tier 2 loan capital issuances

- CNY1,000 million subordinated notes issued March 2015, and redeemed in March 2020; 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, PERLS XI and PERLS XII, and all Tier 2 Capital securities issued after 1 January 2013, are subject to Basel III, under which these securities must be exchanged for a variable number of CBA ordinary shares or written down if a capital trigger event (PERLS VII, PERLS VIII, PERLS IX, PERLS X, PERLS XI and PERLS XII only) or a non-viability trigger event (all securities) occurs. Any exchange will occur as described in the terms of the applicable instrument documentation.

ACCOUNTING POLICIES

Loan capital consists of instruments issued by the Group, which qualify as regulatory capital under the Prudential Standards set by the Australian Prudential Regulation Authority (APRA) and the Reserve Bank of New Zealand (RBNZ). Loan capital is initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Interest expense incurred is recognised in Net interest income.

Notes to the financial statements
For the year ended 30 June 2020

8.3 Shareholders' equity

	Group		Bank	
	30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19
	$M	$M	$M	$M
Ordinary share capital				
Shares on issue:				
Opening balance	**38,283**	37,535	**38,281**	37,533
Dividend reinvestment plan (net of issue costs) [1, 2]	**(1)**	748	**(1)**	748
	38,282	38,283	**38,280**	38,281
Less treasury shares:				
Opening balance	**(263)**	(265)	**(69)**	–
Purchase of treasury shares [3, 4]	**(65)**	(93)	**(65)**	(69)
Sale and vesting of treasury shares [3, 4]	**98**	95	**34**	–
Decrease in treasury shares on deconsolidation of CommInsure Life	**79**	–	**–**	–
	(151)	(263)	**(100)**	(69)
Closing balance	**38,131**	38,020	**38,180**	38,212

1 The DRP in respect of the interim 2019/2020, final 2018/2019 and interim 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 7,080,363 shares at $73.37, 7,810,285 shares at $78.61 and 8,080,558 shares at $73.21 respectively to participating shareholders.

2 The determined dividend includes an amount attributable to the final 2017/2018 dividend reinvestment plan of $749 million. The value of shares issued under plan rules net of issue costs was $748 million.

3 Relates to the movements in treasury shares held within the employee share plans and treasury shares held within life insurance statutory funds (prior to deconsolidation of CommInsure Life on 1 November 2019).

4 Movement in treasury shares includes 649,480 shares acquired at an average price of $79.62 for satisfying the Company's obligations under various equity settled share plans (30 June 2019: 1,178,102 shares acquired at an average price of $69.95). 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 20	30 Jun 19	30 Jun 20	30 Jun 19
Number of shares on issue	Shares	Shares	Shares	Shares
Opening balance (excluding treasury shares deduction)	**1,770,239,507**	1,759,842,930	**1,770,239,507**	1,759,842,930
Dividend reinvestment plan issues:				
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 [1]	**–**	–	**–**	–
2018/2019 Final dividend fully paid ordinary shares $78.61 [1]	**–**	–	**–**	–
2019/2020 Interim dividend fully paid ordinary shares $73.37 [1]	**–**	–	**–**	–
Closing balance (excluding treasury shares deduction)	**1,770,239,507**	1,770,239,507	**1,770,239,507**	1,770,239,507
Less: treasury shares [2, 3]	**(2,095,440)**	(3,503,541)	**(1,365,183)**	(994,913)
Closing balance	**1,768,144,067**	1,766,735,966	**1,768,874,324**	1,769,244,594

1 The DRP in respect of the interim 2019/2020, final 2018/2019 and interim 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 7,080,363 shares at $73.37, 7,810,285 shares at $78.61 and 8,080,558 shares at $73.21, respectively to participating shareholders.

2 Relates to treasury shares held within the employee share plans and life insurance statutory funds (prior to deconsolidation of CommInsure Life on 1 November 2019).

3 Comparative information has been restated to conform to presentation in the current year.

Ordinary shares have no par value and the Company does not have a limited amount of share capital.

Ordinary shares entitle holders to receive dividends payable to ordinary shareholders and to participate in the proceeds available to ordinary shareholders on winding up of the Company in proportion to the number of fully paid ordinary shares held. On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll one vote for each share held.

Notes to the financial statements
For the year ended 30 June 2020

8.3 Shareholders' equity (continued)

	Group		Bank	
	30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19
Retained profits	$M	$M	$M	$M
Opening balance	**28,482**	28,360	**23,099**	23,819
Changes on adoption of AASB 16 [1]	**(146)**	–	**(146)**	–
Changes on adoption of AASB 9 and AASB 15	**–**	(955)	**–**	(868)
Restated opening balance	**28,336**	27,405	**22,953**	22,951
Actuarial gains/(losses) from defined benefit superannuation plans	**116**	(49)	**115**	(50)
Realised gains and dividend income on treasury shares	**13**	12	**–**	–
Net profit attributable to equity holders of the Bank	**9,634**	8,571	**10,168**	7,783
Total available for appropriation	**38,099**	35,939	**33,236**	30,684
Transfers from/(to) general reserve [2]	**733**	126	**586**	(2)
Transfer from capital reserve [3]	**–**	–	**1,254**	–
Transfers from asset revaluation reserve	**8**	23	**4**	23
Interim dividend – cash component	**(3,021)**	(2,949)	**(3,021)**	(2,949)
Interim dividend – dividend reinvestment plan [4]	**(519)**	(592)	**(519)**	(592)
Final dividend – cash component	**(3,474)**	(3,316)	**(3,474)**	(3,316)
Final dividend – dividend reinvestment plan [4, 5]	**(615)**	(749)	**(615)**	(749)
Closing balance	**31,211**	28,482	**27,451**	23,099

1 The Group adopted AASB 16 *Leases* on 1 July 2019. As permitted by AASB 16, the Group recognised the cumulative effect of initially applying the new requirements as an adjustment to opening Retained profits at 1 July 2019. Comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1.1.

2 Following deconsolidation of CommInsure Life on 1 November 2019, the Group is no longer required to quarantine undistributable profits in general reserve. As a result, general reserve was reclassified to Retained profits.

3 The capital reserve previously held by the Bank was related to historic internal restructuring of the Group's life insurance and funds management businesses. The reserve was eliminated on consolidation. The reserve was reclassified to the Bank's retained earnings following deconsolidation of CFSGAM and CommInsure Life during the year ended 30 June 2020.

4 The DRP in respect of the interim 2019/2020, final 2018/2019 and interim 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 7,080,363 shares at $73.37, 7,810,285 shares at $78.61 and 8,080,558 shares at $73.21, respectively to participating shareholders.

5 The determined dividend includes an amount attributable to the final 2017/2018 dividend reinvestment plan of $749 million. The value of shares issued under plan rules net of issue costs was $748 million.

Notes to the financial statements
For the year ended 30 June 2020

8.3 Shareholders' equity (continued)

Reserves	Group 30 Jun 20 $M	Group 30 Jun 19 $M	Bank 30 Jun 20 $M	Bank 30 Jun 19 $M
General reserve				
Opening balance	**733**	859	**586**	584
Transfer (to)/from retained profits [1]	**(733)**	(126)	**(586)**	2
Closing balance	**–**	733	**–**	586
Capital reserve				
Opening balance	**–**	–	**1,254**	1,254
Transfer to retained profits [2]	**–**	–	**(1,254)**	–
Closing balance	**–**	–	**–**	1,254
Asset revaluation reserve				
Opening balance	**246**	235	**216**	206
Revaluation of properties	**24**	38	**20**	37
Transfer to retained profits	**(8)**	(23)	**(4)**	(23)
Income tax effect	**(5)**	(4)	**(5)**	(4)
Closing balance	**257**	246	**227**	216
Foreign currency translation reserve				
Opening balance	**912**	448	**302**	88
Currency translation adjustments of foreign operations	**(237)**	491	**(46)**	233
Currency translation on net investment hedge	**(5)**	(20)	**(5)**	(19)
Income tax effect	**8**	(7)	**–**	–
Closing balance	**678**	912	**251**	302
Cash flow hedge reserve [3]				
Opening balance	**787**	(160)	**1,073**	70
Gains/(losses) on cash flow hedging instruments:				
Recognised in Other Comprehensive Income	**1,243**	1,603	**1,505**	1,928
Transferred to Income Statement:				
Interest income	**(2,008)**	(859)	**(1,979)**	(875)
Interest expense	**1,854**	1,044	**1,487**	771
Other banking income	**(44)**	(433)	**(11)**	(396)
Income tax effect	**(319)**	(408)	**(308)**	(425)
Closing balance	**1,513**	787	**1,767**	1,073
Employee compensation reserve				
Opening balance	**161**	145	**161**	139
Current period movement	**(23)**	16	**(23)**	22
Closing balance	**138**	161	**138**	161

1 Following deconsolidation of CommInsure Life on 1 November 2019, the Group is no longer required to quarantine undistributable profits in general reserve. As a result, general reserve was reclassified to Retained profits.

2 The capital reserve previously held by the Bank was related to historic internal restructuring of the Group's life insurance and funds management businesses. The reserve was eliminated on consolidation. The reserve was reclassified to the Bank's retained earnings following deconsolidation of CFSGAM and CommInsure Life during the year ended 30 June 2020.

3 Comparative information has been restated to conform to presentation in the current year.

Notes to the financial statements
For the year ended 30 June 2020

8.3 Shareholders' equity (continued)

	Group 30 Jun 20 $M	Group 30 Jun 19 $M	Bank 30 Jun 20 $M	Bank 30 Jun 19 $M
Investment securities revaluation reserve				
Opening balance	**253**	–	**221**	–
Change on adoption of AASB 9	**–**	149	**–**	227
Restated opening balance	**253**	149	**221**	227
Net (losses)/gains on revaluation of investment securities	**(200)**	140	**(184)**	18
Net losses on investment securities transferred to Income Statement on disposal	**(49)**	(42)	**(49)**	(42)
Income tax effect	**76**	6	**73**	18
Closing balance	**80**	253	**61**	221
Available-for-sale investments reserve				
Opening balance	**–**	149	**–**	227
Change on adoption of AASB 9	**–**	(149)	**–**	(227)
Restated balance	**–**	–	**–**	–
Total reserves	**2,666**	3,092	**2,444**	3,813
Shareholders' Equity attributable to equity holders of the Bank	**72,008**	69,594	**68,075**	65,124
Shareholders' Equity attributable to non-controlling interests	**5**	55	**–**	–
Total Shareholders' Equity	**72,013**	69,649	**68,075**	65,124

8.3 Shareholders' equity (continued)

ACCOUNTING POLICIES

Shareholders' equity includes Ordinary share capital, Retained profits and Reserves. Policies for each component are set out below:

Ordinary share capital

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs. Where the Bank or entities within the Group purchase shares in the Bank, the consideration paid is deducted from total shareholders' equity and the shares are treated as treasury shares until they are subsequently sold, reissued or cancelled. Where such shares are sold or reissued, any consideration received is included in shareholders' equity.

Retained profits

Retained profits includes the accumulated profits for the Group including certain amounts recognised directly in retained profits less dividends paid.

Reserves

General reserve

In prior periods General reserve was derived from profits and was available for dividend payments except for undistributable profits in respect of the Group's life insurance business. Following deconsolidation of CommInsure Life on 1 November 2019, the Group is no longer required to quarantine undistributable profits in General reserve. As a result General reserve was reclassified to Retained profits.

Capital reserve

The Capital reserve previously held by the Bank was related to historic internal restructuring of the Group's life insurance and funds management businesses. The reserve was eliminated on consolidation. The reserve was reclassified to the Bank's retained earnings following deconsolidation of CFSGAM and CommInsure Life during the year ended 30 June 2020.

Asset revaluation reserve

The Asset revaluation reserve is used to record revaluation adjustments on the Group's property assets. Where an asset is sold or disposed of, any balance in the reserve in relation to the asset is transferred directly to Retained profits.

Foreign currency translation reserve

Exchange differences arising on translation of the Group's foreign operations are accumulated in the Foreign currency translation reserve. Specifically assets and liabilities are translated at the prevailing exchange rate at Balance Sheet date; revenue and expenses are translated at the transaction date; and all resulting exchange differences are recognised in the Foreign currency translation reserve.

When a foreign operation is disposed of, exchange differences are recycled out of the reserve and recognised in the Income Statement.

Cash flow hedge reserve

The Cash flow hedge reserve is used to record fair value gains or losses associated with the effective portion of designated cash flow hedging instruments. Amounts are reclassified to the Income Statement when the hedged transaction impacts profit or loss.

Employee compensation reserve

The Employee compensation reserve is used to recognise the fair value of shares and other equity instruments issued to employees under the employee share plans and bonus schemes.

Investment securities revaluation reserve

The Investment securities revaluation reserve includes changes in the fair value of Investment securities measured at fair value through other comprehensive income. For debt securities, these changes are reclassified to the Income Statement when the asset is derecognised. For equity securities, these changes are not reclassified to the Income Statement when derecognised.

8.4 Dividends

		Group			Bank	
		30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 20	30 Jun 19
	Note	$M	$M	$M	$M	$M
Ordinary shares						
Interim ordinary dividend (fully franked) (2020: 200 cents; 2019: 200 cents; 2018: 200 cents)						
Interim ordinary dividend paid – cash component only		**3,021**	2,949	2,969	**3,021**	2,949
Interim ordinary dividend paid – Dividend Reinvestment Plan [1]		**519**	592	536	**519**	592
Total dividend paid		**3,540**	3,541	3,505	**3,540**	3,541
Other provision carried		**121**	119	113	**121**	119
Dividend proposed and not recognised as a liability (fully franked) (2020: 98 cents; 2019: 231 cents; 2018: 231 cents) [2]		**1,735**	4,089	4,065	**1,735**	4,089
Provision for dividends						
Opening balance		**119**	113	100	**119**	113
Provision made during the year		**7,630**	7,606	7,484	**7,630**	7,606
Provision used during the year		**(7,628)**	(7,600)	(7,471)	**(7,628)**	(7,600)
Closing balance	7.1	**121**	119	113	**121**	119

1 The DRP in respect of the interim 2019/2020 and interim 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 7,080,363 and 8,080,558 shares, respectively to participating shareholders. The DRP in respect of the interim 2017/2018 dividend was satisfied by the issue of shares.

2 The 2020 final dividend will be satisfied by cash disbursements with the DRP anticipated to be satisfied by the issuance of shares. The 2019 final dividend was satisfied by cash disbursements with the DRP satisfied in full through the on-market purchase and transfer of 7,810,285 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.

Final dividend

The Directors have determined a fully franked (30%) final dividend of 98 cents per share amounting to $1,735 million. The dividend will be payable on 30 September 2020 to shareholders on the register at 5pm AEST on 20 August 2020. The ex-dividend date is 19 August 2020.

Dividend policy

In determining the dividend, the Board considers a range of factors in accordance with Bank's dividend policy including:

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

In light of the heightened economic risk caused by COVID-19, the Bank has taken into consideration APRA's guidance on capital distributions outlined in its letter on 29 July 2020. For 2020, APRA expects that ADIs will retain at least half of their earnings, and actively use dividend reinvestment plans and/or other capital management initiatives to at least partially offset the diminution in capital from distributions.

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 2020 to frank dividends for subsequent financial years, is $2,007 million (2019: $1,190 million). This figure is based on the franking accounts of the Bank at 30 June 2020, adjusted for franking credits that will arise from the payment of income tax payable on profits for the year and prior years, franking debits that will arise from the payment of dividends proposed, and franking credits that may not be available to be distributed 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 2020.

8.4 Dividends (continued)

Dividend history

Half year ended	Cents per share	Payment date	Half year payout ratio [1] %	Full year payout ratio [1] %	DRP price $	DRP participation rate [2] %
31 December 2017	200	28/03/2018	71.45	–	75.38	15.3
30 June 2018	231	28/09/2018	91.93	81.15	72.05	18.4
31 December 2018	200	28/03/2019	76.98	–	73.21	16.7
30 June 2019	231	26/09/2019	102.95	89.02	78.61	15.0
31 December 2019	200	31/03/2020	57.47	–	73.37	14.7
30 June 2020	98	30/09/2020	49.95	54.76	–	–

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.

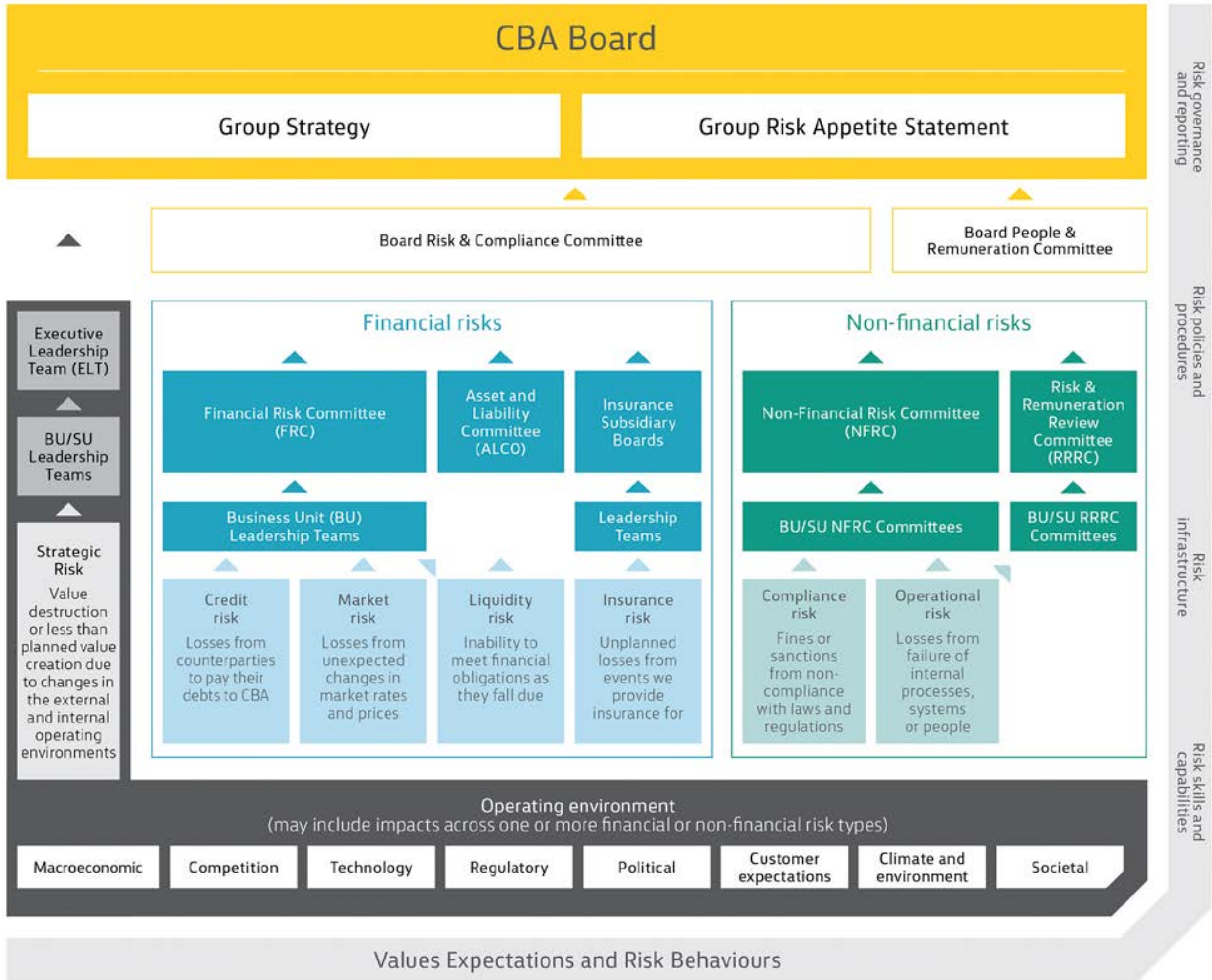
ACCOUNTING POLICIES

Dividends represent a distribution of profits that holders of ordinary shares receive from time to time. Dividends determined by the Board of the Bank are recognised with a corresponding reduction of retained earnings 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

OVERVIEW

The Group is exposed to financial risks, non-financial risks and strategic risks arising from its operations. The Group manages these risks through its Risk Management Framework (the Framework), which evolves to accommodate changes in the business operating environment, better practice approaches, and regulatory and community expectations. The components of the Framework are illustrated below, including the governance that enables executive and Board oversight of these risks.



Further details on each of the material risks, and how the Group manages them, are outlined in this note.

Notes to the financial statements
For the year ended 30 June 2020

9.1 Risk management framework

The Framework enables the appropriate development and implementation of strategies, policies and procedures to manage risk. The Framework incorporates the requirements of APRA Prudential Standard CPS 220 "Risk Management" supported by the three key documentary components:

- **The Group Risk Appetite Statement (RAS)** articulates the type and degree of risk the Board is prepared to accept and the maximum level of risk that the institution must operate within.
- **The Group Risk Management Approach (RMA)** describes the Group's approach to ensure comprehensive management of its risks in support of achieving its strategic goals and objectives.
- **The Group Business Plan (Plan)** summarises the Group's approach to the implementation of its strategic objectives. The Plan has a rolling three year duration and reflects material risks arising from its implementation.

The Framework is underpinned by the following Risk Framework Enablers that allow the Group to effectively identify, record, manage and monitor risks:

Risk governance and reporting

The Group is committed to ensuring that its risk management practices reflect a high standard of governance. This enables management to undertake, in an effective manner, prudent risk-taking activities. The Board operates as the highest level of the Group's risk governance. The Board Risk and Compliance Committee is responsible for the oversight and governance of risks impacting the Group. It oversees the design, implementation and operation of the Framework and helps formulate the Group's risk appetite for consideration by the Board. In particular it:

- monitors the Group's risk profile (including identification of emerging risks); and
- reviews regular reports from management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal control systems.

At management level, risk governance is undertaken by a structured hierarchy of personal delegations and management committees and forums across the Group and within the Business Units (BUs) and Support Units (SUs).

Regular management information is produced that allows financial and non-financial risk positions to be monitored against approved risk appetite and policy limits. At Board level, the majority of risk reporting is provided to the Board Risk and Compliance Committee; although select matters are reported directly to the Board as required. Controls reporting is provided to the Board Audit Committee.

The Group operates a Three Lines of Accountability model that places the accountability for risk ownership with the Line 1 BUs and Support Units (SUs), while focusing the mandate of Line 2 Risk teams on risk appetite and the Framework, assurance, approval or acceptance of risk decisions of Line 1 and advice. Line 3 Internal Audit provides independent assurance to the Board, regulators and other stakeholders on the effectiveness of risk management, internal controls and governance.

Risk policies & procedures

Risk policies and procedures provide guidance to the business on the management of each material risk. They support the framework by:

- summarising the principles and practices to be used by the Group in identifying and assessing its material risks; and
- quantifying the operating tolerances for material risks.

Risk management infrastructure

The Framework is supported by key infrastructure systems and processes for the management of the Group's material risks. The key risk management systems and processes in place include:

- **Risk processes** to identify, assess, escalate, monitor and manage risks and issues;
- **Management information systems** to measure and aggregate risks across the Group;
- **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 alongside other risk techniques (including stress testing), to quantify the Group's risks for use in risk decisions, capital plans and strategic decisions.

Risk skills and capabilities

In addition to having the necessary risk skills and capabilities for their roles, it is important for all Group employees to have an awareness of the Framework as it relates to their role, as well as the need to adopt the CBA risk behaviours to ensure a positive CBA risk culture. Risk skills and capabilities are developed through:

- **Communication of the Group RAS and the CBA RMA**: Following approval by the Board, the updated RAS and RMA are communicated to all employees. Employees are also made aware of the Group and BU/SU RASs via the remuneration process (which highlights that individual employee performance will be assessed in light of their compliance);
- **Group Mandatory Learning modules**;
- **The Operational Risk and Compliance Training program**;
- **Induction and ongoing learning**; and
- **Talent sourcing and acquisition**.

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9.1 Risk management framework (continued)

Risk culture and conduct risk

Risk culture is the beliefs, values and practices within the organisation that determine how risks are identified, measured, governed, and acted upon. A positive risk culture drives the right risk decisions and helps the Group make sound judgements in new and unfamiliar circumstances. The risk behaviours that demonstrate a positive risk culture and are expected of employees by the Board, senior management, customers, communities, shareholders and regulators, are guided by CBA values that emphasise doing what is right, accountability, service, excellence and getting things done the right way.

The Board's RAS in relation to conduct risk requires business practices that are fair to customers, protect the fair and efficient operation of the market and engender confidence in our products and services. 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.

Responding to COVID-19 risks

At times, changes in the Bank's external and internal operating environments may have an impact on the nature of one or more of our material risk types, including our strategic risks. An example is the COVID-19 pandemic, which rapidly introduced an array of new and elevated risks to the safety of our people, the resilience of the Group's operations, the strength of our Balance Sheet and the financial security of our customers and the community. A number of actions were taken to address these risks, such as:

- measures to support and protect our people;
- relief measures to support our customers;
- infrastructure changes to ensure stability of key services;
- continued enhancement of the Bank's cyber defences;
- increased oversight of critical suppliers;
- increased forward looking loan loss provisions; and
- ongoing monitoring of the Group's lending portfolios.

The Board and Management continue to actively monitor the situation and adapt the Group's response as required.

Notes to the financial statements
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9.1 Risk management framework (continued)

Material risk types

Description	Governing Policies and Key Management Committees	Key controls and risk mitigation strategies
Credit risk		
Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Group. The Group is primarily exposed to credit risk through: • Residential mortgage lending; • Unsecured retail lending; • Commercial lending; and • Large corporate (institutional) lending and markets exposures.	**Governing Policies:** • Group Credit Risk Policies, Principles, Framework and Governance • Group and BU Credit Risk Policies **Key Management Committee:** • Financial Risk Committee • BU/SU Financial Risk Committees.	• Defined credit risk indicators set in the Group RAS; • Transacting with counterparties that demonstrate the ability and willingness to service their obligations through performance of due diligence and thorough credit quality assessments; • Applications assessed by credit decisioning models, with more complex or higher risk applications referred to credit authority holders; • Taking collateral where appropriate; • Pricing appropriately for risk; • Credit concentration frameworks that set exposure limits to counterparties, groups of related counterparties, industry sectors and countries; • Regular monitoring of credit quality, concentrations, arrears, policy exceptions and policy breaches; • Working with impaired counterparties, or those in danger of becoming so, to help them rehabilitate their financial positions; and • Stress testing, either at a counterparty or portfolio level.
Market risk (including equity risk)		
Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or net worth of the Group. The Group is primarily exposed to market risk through: • Traded Market Risk; • Interest Rate Risk in the Banking Book (IRRBB); • Structural Foreign Exchange Risk; • Lease Residual Value Risk; and • Non-Traded Equity Risk.	**Governing Policies:** • The Group Market Risk Policy **Key Management Committee:** • Financial Risk Committee (Oversight of traded market risk) • Asset and Liability Committee (ALCO) (Oversight of IRRBB)	• Defined market indicators set in the Group RAS; • Minimal appetite for proprietary trading; • Conservative market risk limits with granular concentration limits at a position level including currency/index, tenor and product type; • Pricing appropriately for risk; • Back-testing of Value at risk (VaR) models against hypothetical profit and loss; • Daily monitoring and attribution of traded market risk exposures including risk sensitivities, VaR and stress testing; • Weekly monitoring of VaR and stress test measures for derivative valuation adjustments (XVAs); • Monthly monitoring of residual value risk exposures versus limits; • Managing the Balance Sheet with a view to balancing Net Interest Income profit volatility and market value; • Daily monitoring of IRRBB market risk exposures including risk sensitivities, credit spread risk, VaR and stress testing; • Monthly monitoring of Net Interest Earnings at Risk versus limits; and • Transfer pricing for risk.

Notes to the financial statements
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9.1 Risk management framework (continued)

Description	Governing Policies and Key Management Committees	Key controls and risk mitigation strategies
Liquidity and funding risk		
Liquidity risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk), and that liquidity in financial markets, such as the market for debt securities, may reduce significantly (market liquidity risk). The Group is exposed to liquidity risk primarily through: • The funding mismatch between the Group's loans, investments and sources of funding.	**Governing Policies:** • Group Liquidity Policy **Key Management Committee:** • ALCO	• Defined liquidity risk indicators in the Group RAS; • The Annual Funding Strategy (the Group's wholesale funding strategy based on a three year funding plan); • Maintaining a diverse, yet stable, pool of potential funding sources across different currencies, geographies, entities and products; • Maintaining sufficient liquidity buffers and short-term funding capacity to withstand periods of disruption in long-term wholesale funding markets and unanticipated changes in the Balance Sheet funding gap; • Limiting the portion of wholesale funding sourced from offshore; • Conservatively managing the mismatch between asset and liability maturities; • Maintaining a conservative mix of readily saleable or repo-eligible liquid assets; • Daily monitoring of liquidity risk exposures, including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR); • Market and idiosyncratic stress test scenarios; and • The Contingency Funding Plan provides strategies for addressing liquidity shortfalls in a crisis situation.
Operational risk		
Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. The Group is exposed to operational risk primarily through: • Process execution errors; • Cyber security losses; • Technology failures; • Data management issues; • Model risks; • Accounting, legal and taxation risks; • Third parties; • People (employment practice and workplace safety); • Fraud (external and internal); and • Non-technology business disruption.	**Governing Policies:** • Operational Risk Management Framework (ORMF) • Group Outsourcing Policy • Group Model Policy • Group Fraud Management Policy • Group Policy on Business Continuity Management • Group Whistle-blower Policy • Group Protective Security Policy • Group Data Quality Management Policy **Key Management Committee:** • Non-Financial Risk Committee • BU/SU Non-Financial Risk Committees • Model Risk Governance Committee	• Defined operational risk indicators in the Group RAS; • Implementation of manual and automated controls to prevent, detect and mitigate the specific operational risks that the Group is exposed to; • Regular Risk and Control Self-Assessment (RCSA) to assess key risks and controls for each BU/SU; • Routine Controls Assurance Program tests to assess whether controls are designed and operating effectively to maintain risk exposures within acceptable levels; • Incident management processes to identify, assess, record, report and manage actual operational or compliance events that have occurred. This data is used to guide management to strengthen processes and controls; • Issue management processes to identify, assess, record, report and manage weaknesses or gaps in controls; • Risk in Change process to effectively understand and manage the risks from changes to the business through projects or initiatives; • Quantitative Risk Assessments are scenarios conducted to provide an understanding of potential unexpected losses; • Establishment of Key Risk Indicators to monitor movements in risk exposures over time; and • Assurance undertaken by Line 2 Risk teams to assess that operational risks are appropriately identified and managed across the Group.

Notes to the financial statements
For the year ended 30 June 2020

9.1 Risk management framework (continued)

Description	Governing Policies and Key Management Committees	Key controls and risk mitigation strategies
Compliance risk		
Compliance risk is the risk of sanctions and financial loss the Group may suffer as a result of the Group's failure to comply with laws, regulations, rules, statements of regulatory policy, and codes of conduct applicable to its business activities. The Group is exposed to compliance risk primarily through: • Regulatory and licencing obligations, including privacy and conflicts of interest obligations; • Financial crime (Anti Money Laundering (AML), Counter Terrorism Financing (CTF), Anti-Bribery and Corruption, and Sanctions); and • Poor conduct (product design and distribution, market conduct and employee misconduct).	**Governing Policies:** • Group Compliance Management Framework (CMF) and policies • Group and BU Compliance policies and standards • AML/CTF Group Program, • Anti-Bribery & Corruption Policy, • Group Economic Trade Sanctions Policy • Code of Conduct • Product Development and Distribution **Key Management Committee:** • Non-Financial Risk Committee • BU/SU Non-Financial Risk Committees	• Compliance risk indicators included in the Group RAS; • Mandatory online compliance training for all employees; • Regulatory change management to establish compliant business practices; • Maintenance of obligation registers; • Compliance risk profiling through the RCSA; • Review of key compliance and conduct processes and controls through the regulatory assurance program and compliance monitoring; • Group wide minimum standards in key compliance areas; • Co-operative and transparent relationships with regulators; • Board and management governance and reporting; • Pre-employment due diligence on the Group's employees and enhanced screening for high risk roles; • Training and awareness sessions to staff highlighting the community impact of financial crime and the Group's role to detect, deter and disrupt money laundering, terrorist financing and other serious crime; • Customer on-boarding processes to meet AML/CTF identification and screening requirements; • Ongoing customer due diligence to ensure information the Group maintains on customers is accurate; • Risk assessments on customers, products and channels to ensure the Group understands the money laundering and terrorist financing risks; • Enhanced customer due diligence on higher risk segments; • Monitoring customer payments, trade and all transactions to manage the AML/CTF and sanctions risks identified; • Undertake statutory reporting requirements including International Funds Transfer Instructions, Threshold Transaction Reports and Suspicious Matter Reports; • Controls to prevent corruption of public officials by employees, representatives, suppliers or third party agents, including disclosure and approval of gifts and entertainment, charitable donations and sponsorships; and • Conduct Risk strategy and Code of Conduct, supported by mandatory training for all staff.

Notes to the financial statements
For the year ended 30 June 2020

9.1 Risk management framework (continued)

Description	Governing Policies and Key Management Committees	Key controls and risk mitigation strategies
Insurance risk		
Insurance risk is the risk of loss due to the potential for events the Group has insured against occurring more frequently or with greater severity than anticipated. The Group is primarily exposed to insurance risk through home and motor events through a wholly-owned subsidiary in Australia.	**Governing Policies:** • Product Management Policy • Underwriting Policy • Claims Management Policy • Reinsurance Management Policy **Key Management Committee:** • Executive Committees of insurance writing businesses	• Defined insurance risk indicators set in the Group RAS; • Sound product design and pricing to ensure that customers understand the extent of their cover and that premiums are sufficient to cover the risk involved; • Limits, standards and underwriting authorities to ensure acceptance of appropriate risks; • Regular monitoring of loss ratios, aggregations and concentrations; • Catastrophe modelling and stress testing; • Actuarial review of claims provisions; • Controls to ensure valid claims are paid without undue delay; and • Reinsurance to manage the volatility of insurance risk and limit exposure to significant, individual or aggregate risks or risk concentrations.
Strategic risk		
Strategic risk is the risk of material stakeholder value destruction or less than planned value creation. The Group is exposed to strategic risk primarily through: • Changes in the Group's external and internal operating environments (including macro-economic conditions, competitive forces, technology, regulatory, political and social trends, customer expectations and the environment); and • Risk associated with the process for strategy development and monitoring of strategy implementation.	**Governing Policies:** • Group Strategic Risk Management Policy • Environmental & Social Policy **Key Management Committee:** • Executive Leadership Team	Strategic risk: • Strategy development, approval and review; • Identifying and monitoring changes and potential changes to the operating environment; and • Monitoring execution progress of strategies. In developing the strategy, the following is considered: • Impact of strategy on the Group's risk profile and measures of risk appetite; • Recent execution progress; and • Assumptions concerning the operating environment. Climate risk represents a strategic risk due to the potential material transition and physical climate related impacts to the Group, if not managed effectively. The potential adverse impacts of climate change manifest, and are therefore measured and managed, as an outcome of the other material risk types. In order to understand these potential impacts, and in support of our commitment to limiting the impacts of climate change the Group: • Develops scenario analyses to understand the impacts of both transition and physical climate-related risks on the business and the implications for strategic and tactical portfolio decisions; and • Develops strong policy frameworks which consider Environmental, Social and Governance issues, including climate change impacts in assessing our relationships with customers and suppliers. Corporate Responsibility programs outline the objectives for safeguarding the environment, while supporting economic growth and development and provide guidelines in monitoring and reducing the Group's own greenhouse gas emissions and energy use.

Notes to the financial statements
For the year ended 30 June 2020

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 Financial Risk, reviews credit portfolios and business unit compliance with credit policies, frameworks, application of credit risk ratings and other key practices on a regular basis.

The credit risk portfolio has two major segments:

(i) Retail managed segment

This segment has sub-segments covering housing loans, credit cards, personal loans, and personal overdrafts. It also covers most non-retail lending where the aggregated credit exposure to a group of related 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 Model Risk Governance Committee.

(i) Expected loss

Expected loss (EL) is the product of:

- PD;
- Exposure at Default (EAD); and
- LGD.

The PD, expressed as a percentage, is the estimate of the probability that a client will default within the next 12 months.

9.2 Credit risk (continued)

(i) Expected loss (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, 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 Bank 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 for Institutional Bank loans. Exposures with medium or high risk profile are subject to additional due diligence and heightened consideration and assessment in the credit process. During the year ended 30 June 2020, the Group recognised provisions for impairment of $90 million reflecting the impact of extreme weather events on the credit quality of the Group's loan portfolio.

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 $25,562 million (2019: $14,527 million) deposited with Central Banks and is considered to carry less credit risk.

Receivables from other financial institutions

Collateral is usually not sought on these balances as exposures are generally considered to be of low risk. The exposures are mainly short-term, to investment grade banks and include collateral posted by the Group.

Trading assets at fair value through Income Statement and investment securities at fair value through OCI

These assets are carried at fair value, which accounts for the credit risk. Investment securities at amortised cost are measured at amortised cost and presented net of provisions for impairment. Collateral is not generally sought from the issuer or 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.

Notes to the financial statements
For the year ended 30 June 2020

9.2 Credit risk (continued)

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 5.4. The Group is exposed to counterparty credit risk on derivative contracts. The counterparty credit risk is affected by the nature of the trades, the counterparty, netting, and collateral arrangements. Credit risk from derivatives is mitigated where possible (typically for financial institutions counterparties, but less frequently for corporate or government 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.

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, $103,325 million (2019: $99,936 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.

Notes to the financial statements
For the year ended 30 June 2020

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 2020									
	Sovereign $M	Agriculture $M	Bank and other financial $M	Home loans $M	Construction $M	Other personal $M	Asset financing $M	Other comm and indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	8,611	–	14,113	–	–	–	–	–	–	22,724
Receivables from financial institutions	–	–	2,127	–	–	–	–	–	–	2,127
Assets at fair value through Income Statement:										
Trading	28,071	–	842	–	–	–	–	5,759	–	34,672
Other	77	105	1,188	–	–	–	–	6,708	44	8,122
Derivative assets	1,268	76	22,649	–	26	–	–	4,801	–	28,820
Investment securities:										
At amortised cost	9	–	5,159	–	–	–	–	–	–	5,168
At fair value through Other Comprehensive Income	47,601	–	12,366	–	–	–	–	570	–	60,537
Loans, bills discounted and other receivables [1]	23,521	9,680	13,136	485,795	3,600	17,695	10,434	109,184	–	673,045
Other assets [2]	637	1	8,876	9	1	14	–	189	14,656	24,383
Assets held for sale	–	–	772	–	–	–	–	12	984	1,768
Total on Balance Sheet Australia	109,795	9,862	81,228	485,804	3,627	17,709	10,434	127,223	15,684	861,366
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	492	20	1,465	–	259	–	–	3,067	–	5,303
Loan commitments	636	1,969	6,479	71,313	2,355	21,346	–	38,594	–	142,692
Other commitments	66	9	1,162	–	1,521	–	–	3,768	–	6,526
Total Australia	110,989	11,860	90,334	557,117	7,762	39,055	10,434	172,652	15,684	1,015,887
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	13,937	–	7,504	–	–	–	–	–	–	21,441
Receivables from financial institutions	61	–	6,359	–	–	–	–	–	–	6,420
Assets at fair value through Income Statement:										
Trading	3,184	–	274	–	–	–	–	293	–	3,751
Other	–	–	–	–	–	–	–	–	–	–
Derivative assets	128	22	939	–	–	–	–	376	–	1,465
Investment securities:										
At amortised cost	5	–	–	–	–	–	–	–	–	5
At fair value through Other Comprehensive Income	17,068	–	1,944	–	–	–	–	–	–	19,012
Loans, bills discounted and other receivables [1]	69	9,601	6,382	57,085	593	1,876	779	29,245	–	105,630
Other assets [2]	24	–	19	4	1	5	4	347	1,692	2,096
Assets held for sale	–	–	–	–	–	–	–	–	2	2
Total on Balance Sheet overseas	34,476	9,623	23,421	57,089	594	1,881	783	30,261	1,694	159,822
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	–	2	754	–	52	–	–	337	–	1,145
Loan commitments	415	764	6,300	7,805	210	2,144	99	8,108	–	25,845
Other commitments	1	1	243	–	1	–	–	586	–	832
Total overseas	34,892	10,390	30,718	64,894	857	4,025	882	39,292	1,694	187,644
Total gross credit risk	145,881	22,250	121,052	622,011	8,619	43,080	11,316	211,944	17,378	1,203,531

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.

Notes to the financial statements

For the year ended 30 June 2020

9.2 Credit risk (continued)

	Group [1] At 30 June 2019									
	Sovereign $M	Agriculture $M	Bank and other financial $M	Home loans $M	Construction $M	Other personal $M	Asset financing $M	Other comm and indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	4,575	–	11,930	–	–	–	–	–	–	16,505
Receivables from financial institutions	–	–	3,037	–	–	–	–	–	–	3,037
Assets at fair value through Income Statement:										
Trading	21,354	–	941	–	–	–	–	2,454	–	24,749
Other	81	–	434	–	–	–	–	7,268	242	8,025
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 [2]	22,404	9,140	11,952	467,361	3,194	21,508	10,471	106,991	–	653,021
Other assets [3]	488	3	5,496	–	–	10	–	230	14,175	20,402
Assets held for sale	1,423	–	5,633	–	–	–	–	3,943	4,211	15,210
Total on Balance Sheet Australia	95,288	9,207	82,207	467,361	3,198	21,518	10,471	122,103	18,628	829,981
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	36	20	1,584	–	324	–	–	3,195	–	5,159
Loan commitments	605	1,975	7,675	67,874	2,331	21,207	–	34,156	–	135,823
Other commitments	58	11	1,362	–	1,390	214	12	2,963	–	6,010
Total Australia	95,987	11,213	92,828	535,235	7,243	42,939	10,483	162,417	18,628	976,973
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	9,952	–	2,930	–	–	–	–	–	–	12,882
Receivables from financial institutions	–	–	5,056	–	–	–	–	–	–	5,056
Assets at fair value through Income Statement:										
Trading	602	–	251	–	–	–	–	50	–	903
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 [2]	82	10,612	5,774	55,581	573	1,924	722	32,724	–	107,992
Other assets [3]	30	–	338	–	–	4	8	49	1,308	1,737
Assets held for sale	683	–	469	–	–	–	–	23	166	1,341
Total on Balance Sheet overseas	27,615	10,624	19,248	55,581	573	1,928	730	34,588	1,474	152,361
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	–	10	949	–	54	–	–	334	–	1,347
Loan commitments	419	834	5,034	7,875	222	2,098	48	9,849	–	26,379
Other commitments	–	–	473	–	3	–	–	612	–	1,088
Total overseas	28,034	11,468	25,704	63,456	852	4,026	778	45,383	1,474	181,175
Total gross credit risk	124,021	22,681	118,532	598,691	8,095	46,965	11,261	207,800	20,102	1,158,148

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

2 Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income in line with Note 3.1.

3 For the purpose of reconciling to the Balance Sheet, "Other 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.

Notes to the financial statements

For the year ended 30 June 2020

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 Credit Authority.

The following table shows the number of the Group's non-retail (excluding banks and sovereign) 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 20 Number	30 Jun 19 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 62% 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 214 to 221 provide information about the gross carrying amount of the Group's and the Bank's loans, bills discounted and other receivables by credit rating grade and ECL stage.

This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a 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.

Credit grade	S&P rating equivalent
Investment	AAA to BBB-
Pass	BB+ to B-
Weak	CCC and below, in default

Notes to the financial statements

For the year ended 30 June 2020

9.2 Credit risk (continued)

Distribution of financial instruments by credit quality

	Group 30 Jun 20				
Loans, bills and discounted and other receivables	**Stage 1 collectively assessed $M**	**Stage 2 [1] collectively assessed $M**	**Stage 3 collectively assessed $M**	**Stage 3 individually assessed $M**	**Total $M**
Credit grade					
Investment	387,863	39,677	–	–	**427,540**
Pass	219,819	110,821	–	–	**330,640**
Weak	2,569	10,384	4,490	2,168	**19,611**
Gross carrying amount	**610,251**	**160,882**	**4,490**	**2,168**	**777,791**
Undrawn credit commitments					
Credit grade					
Investment	78,651	16,443	–	–	**95,094**
Pass	32,916	14,293	–	–	**47,209**
Weak	255	497	81	86	**919**
Total undrawn credit commitments	**111,822**	**31,233**	**81**	**86**	**143,222**
Total credit exposures	**722,073**	**192,115**	**4,571**	**2,254**	**921,013**
Impairment provision	**1,549**	**3,249**	**479**	**967**	**6,244**
Provisions to credit exposure, %	**0.2**	**1.7**	**10.5**	**42.9**	**0.7**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	9,877	1,380	–	–	**11,257**
Pass	3,300	4,734	–	–	**8,034**
Weak	27	314	27	83	**451**
Total financial guarantees and other off Balance Sheet instruments	**13,204**	**6,428**	**27**	**83**	**19,742**
Impairment provision	**20**	**97**	**2**	**–**	**119**
Provisions to credit exposure, %	**0.2**	**1.5**	**7.4**	**–**	**0.6**
Total credit exposures					
Credit grade					
Investment	476,391	57,500	–	–	**533,891**
Pass	256,035	129,848	–	–	**385,883**
Weak	2,851	11,195	4,598	2,337	**20,981**
Total credit exposures	**735,277**	**198,543**	**4,598**	**2,337**	**940,755**
Total impairment provision	**1,569**	**3,346**	**481**	**967**	**6,363**
Provisions to credit exposure, %	**0.2**	**1.7**	**10.5**	**41.4**	**0.7**

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 2020.

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For the year ended 30 June 2020

9.2 Credit risk (continued)

	Group 30 Jun 20				
	Stage 1 collectively assessed $M	**Stage 2 [1] collectively assessed $M**	**Stage 3 collectively assessed $M**	**Stage 3 individually assessed $M**	**Total $M**
Retail secured					
Credit grade					
Investment	346,983	28,658	–	–	**375,641**
Pass [2]	193,030	35,643	–	–	**228,673**
Weak [2]	1,626	4,589	3,197	815	**10,227**
Total retail secured	**541,639**	**68,890**	**3,197**	**815**	**614,541**
Impairment provision	**663**	**628**	**153**	**237**	**1,681**
Provisions to credit exposure, %	**0.1**	**0.9**	**4.8**	**29.1**	**0.3**
Retail unsecured					
Credit grade					
Investment	13,395	2,564	–	–	**15,959**
Pass	13,000	2,572	–	–	**15,572**
Weak	898	1,165	270	10	**2,343**
Total retail unsecured	**27,293**	**6,301**	**270**	**10**	**33,874**
Impairment provision	**592**	**937**	**216**	**3**	**1,748**
Provisions to credit exposure, %	**2.2**	**14.9**	**80.0**	**30.0**	**5.2**
Non-retail					
Credit grade					
Investment	116,013	26,278	–	–	**142,291**
Pass	50,005	91,633	–	–	**141,638**
Weak	327	5,441	1,131	1,512	**8,411**
Total non-retail	**166,345**	**123,352**	**1,131**	**1,512**	**292,340**
Impairment provision	**314**	**1,781**	**112**	**727**	**2,934**
Provisions to credit exposure, %	**0.2**	**1.4**	**9.9**	**48.1**	**1.0**
Total credit exposures					
Credit grade					
Investment	476,391	57,500	–	–	**533,891**
Pass	256,035	129,848	–	–	**385,883**
Weak	2,851	11,195	4,598	2,337	**20,981**
Total credit exposures	**735,277**	**198,543**	**4,598**	**2,337**	**940,755**
Impairment provision	**1,569**	**3,346**	**481**	**967**	**6,363**
Provisions to credit exposure, %	**0.2**	**1.7**	**10.5**	**41.4**	**0.7**

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 2020.

2 During the year ended 30 June 2020, the Group revised the Australian residential mortgage regulatory capital models which resulted in movements of credit exposures across PD bands. There was a reduction in weak grade and an increase in pass grade home loans exposures as a result of this change.

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9.2 Credit risk (continued)

	Group [1] 30 Jun 19				
Loans, bills and discounted and other receivables	Stage 1 collectively assessed $M	Stage 2 [2] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Credit grade					
Investment	380,594	30,263	–	–	**410,857**
Pass	231,037	87,357	–	–	**318,394**
Weak	9,146	14,997	4,499	1,995	**30,637**
Gross carrying amount	**620,777**	**132,617**	**4,499**	**1,995**	**759,888**
Undrawn credit commitments					
Credit grade					
Investment	78,350	14,446	–	–	**92,796**
Pass	35,634	11,332	–	–	**46,966**
Weak	742	422	86	79	**1,329**
Total undrawn credit commitments	**114,726**	**26,200**	**86**	**79**	**141,091**
Total credit exposures	**735,503**	**158,817**	**4,585**	**2,074**	**900,979**
Impairment provision	**897**	**2,444**	**479**	**895**	**4,715**
Provisions to credit exposure, %	**0. 1**	**1. 5**	**10. 4**	**43. 2**	**0. 5**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	8,865	1,553	–	–	**10,418**
Pass	3,356	3,686	–	–	**7,042**
Weak	45	236	19	19	**319**
Total financial guarantees and other off Balance Sheet instruments	**12,266**	**5,475**	**19**	**19**	**17,779**
Impairment provision	**8**	**75**	**1**	**–**	**84**
Provisions to credit exposure, %	**0. 1**	**1. 4**	**5. 3**	**–**	**0. 5**
Total credit exposures					
Credit grade					
Investment	467,809	46,262	–	–	**514,071**
Pass	270,027	102,375	–	–	**372,402**
Weak	9,933	15,655	4,604	2,093	**32,285**
Total credit exposures	**747,769**	**164,292**	**4,604**	**2,093**	**918,758**
Total impairment provision	**905**	**2,519**	**480**	**895**	**4,799**
Provisions to credit exposure, %	**0. 1**	**1. 5**	**10. 4**	**42. 8**	**0. 5**

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

Notes to the financial statements
For the year ended 30 June 2020

9.2 Credit risk (continued)

	Group 30 Jun 19				
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Retail secured					
Credit grade					
Investment	329,299	27,685	–	–	**356,984**
Pass	183,379	32,949	–	–	**216,328**
Weak	7,628	8,840	3,276	794	**20,538**
Total retail secured	**520,306**	**69,474**	**3,276**	**794**	**593,850**
Impairment provision	**265**	**393**	**132**	**271**	**1,061**
Provisions to credit exposure, %	**0. 1**	**0. 6**	**4. 0**	**34. 1**	**0. 2**
Retail unsecured					
Credit grade					
Investment	13,746	2,603	–	–	**16,349**
Pass	13,426	2,353	–	–	**15,779**
Weak	1,858	2,057	292	6	**4,213**
Total retail unsecured	**29,030**	**7,013**	**292**	**6**	**36,341**
Impairment provision	**475**	**934**	**217**	**3**	**1,629**
Provisions to credit exposure, %	**1. 6**	**13. 3**	**74. 3**	**50. 0**	**4. 5**
Non–retail					
Credit grade					
Investment	124,764	15,974	–	–	**140,738**
Pass	73,222	67,073	–	–	**140,295**
Weak	447	4,758	1,036	1,293	**7,534**
Total non-retail	**198,433**	**87,805**	**1,036**	**1,293**	**288,567**
Impairment provision	**165**	**1,192**	**131**	**621**	**2,109**
Provisions to credit exposure, %	**0. 1**	**1. 4**	**12. 6**	**48. 0**	**0. 7**
Total credit exposures					
Credit grade					
Investment	467,809	46,262	–	–	**514,071**
Pass	270,027	102,375	–	–	**372,402**
Weak	9,933	15,655	4,604	2,093	**32,285**
Total credit exposures	**747,769**	**164,292**	**4,604**	**2,093**	**918,758**
Impairment provision	**905**	**2,519**	**480**	**895**	**4,799**
Provisions to credit exposure, %	**0. 1**	**1. 5**	**10. 4**	**42. 8**	**0. 5**

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

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For the year ended 30 June 2020

9.2 Credit risk (continued)

	Bank 30 Jun 20				
Loans, bills and discounted and other receivables	**Stage 1 collectively assessed $M**	**Stage 2 [1] collectively assessed $M**	**Stage 3 collectively assessed $M**	**Stage 3 individually assessed $M**	**Total $M**
Credit grade					
Investment	362,516	35,868	–	–	**398,384**
Pass	173,309	94,608	–	–	**267,917**
Weak	2,141	8,813	3,867	1,725	**16,546**
Gross carrying amount	**537,966**	**139,289**	**3,867**	**1,725**	**682,847**
Undrawn credit commitments					
Credit grade					
Investment	75,388	16,167	–	–	**91,555**
Pass	26,045	12,993	–	–	**39,038**
Weak	234	433	59	59	**785**
Total undrawn credit commitments	**101,667**	**29,593**	**59**	**59**	**131,378**
Total credit exposures	**639,633**	**168,882**	**3,926**	**1,784**	**814,225**
Impairment provision	**1,400**	**2,876**	**490**	**813**	**5,579**
Provisions to credit exposure, %	**0. 2**	**1. 7**	**12. 5**	**45. 6**	**0. 7**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	9,803	1,369	–	–	**11,172**
Pass	3,049	4,495	–	–	**7,544**
Weak	27	296	24	34	**381**
Total financial guarantees and other off Balance Sheet instruments	**12,879**	**6,160**	**24**	**34**	**19,097**
Impairment provision	**18**	**93**	**2**	**–**	**113**
Provisions to credit exposure, %	**0. 1**	**1. 5**	**8. 3**	**–**	**0. 6**
Total credit exposures					
Credit grade					
Investment	447,707	53,404	–	–	**501,111**
Pass	202,403	112,096	–	–	**314,499**
Weak	2,402	9,542	3,950	1,818	**17,712**
Total credit exposures	**652,512**	**175,042**	**3,950**	**1,818**	**833,322**
Total impairment provision	**1,418**	**2,969**	**492**	**813**	**5,692**
Provisions to credit exposure, %	**0. 2**	**1. 7**	**12. 5**	**44. 7**	**0. 7**

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 64% of Stage 2 credit exposures for the Bank as at 30 June 2020.

Notes to the financial statements
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9.2 Credit risk (continued)

	Bank 30 Jun 20				
	Stage 1 collectively assessed $M	**Stage 2 [1] collectively assessed $M**	**Stage 3 collectively assessed $M**	**Stage 3 individually assessed $M**	**Total $M**
Retail secured					
Credit grade					
Investment	323,862	26,888	–	–	**350,750**
Pass [2]	154,412	30,913	–	–	**185,325**
Weak [2]	1,188	3,632	2,677	753	**8,250**
Total retail secured	**479,462**	**61,433**	**2,677**	**753**	**544,325**
Impairment provision	**616**	**475**	**203**	**225**	**1,519**
Provisions to credit exposure, %	**0. 1**	**0. 8**	**7. 6**	**29. 9**	**0. 3**
Retail unsecured					
Credit grade					
Investment	13,395	2,564	–	–	**15,959**
Pass	10,270	2,335	–	–	**12,605**
Weak	887	1,130	228	9	**2,254**
Total retail unsecured	**24,552**	**6,029**	**228**	**9**	**30,818**
Impairment provision	**547**	**891**	**184**	**3**	**1,625**
Provisions to credit exposure, %	**2. 2**	**14. 8**	**80. 7**	**33. 3**	**5. 3**
Non–retail					
Credit grade					
Investment	110,450	23,952	–	–	**134,402**
Pass	37,721	78,848	–	–	**116,569**
Weak	327	4,780	1,045	1,056	**7,208**
Total non-retail	**148,498**	**107,580**	**1,045**	**1,056**	**258,179**
Impairment provision	**255**	**1,603**	**105**	**585**	**2,548**
Provisions to credit exposure, %	**0. 2**	**1. 5**	**10. 0**	**55. 4**	**1. 0**
Total credit exposures					
Credit grade					
Investment	447,707	53,404	–	–	**501,111**
Pass	202,403	112,096	–	–	**314,499**
Weak	2,402	9,542	3,950	1,818	**17,712**
Total credit exposures	**652,512**	**175,042**	**3,950**	**1,818**	**833,322**
Impairment provision	**1,418**	**2,969**	**492**	**813**	**5,692**
Provisions to credit exposure, %	**0. 2**	**1. 7**	**12. 5**	**44. 7**	**0. 7**

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 64% of Stage 2 credit exposures for the Bank as at 30 June 2020.

2 During the year ended 30 June 2020, the Bank revised the Australian residential mortgage regulatory capital models which resulted in movements of credit exposures across PD bands. There was a reduction in weak grade and an increase in pass grade home loans exposures as a result of this change.

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9.2 Credit risk (continued)

	Bank [1] 30 Jun 19				
Loans, bills and discounted and other receivables	**Stage 1 collectively assessed $M**	**Stage 2 [2] collectively assessed $M**	**Stage 3 collectively assessed $M**	**Stage 3 individually assessed $M**	**Total $M**
Credit grade					
Investment	354,071	28,159	–	–	**382,230**
Pass	182,520	72,182	–	–	**254,702**
Weak	8,669	13,502	4,080	1,580	**27,831**
Gross carrying amount	**545,260**	**113,843**	**4,080**	**1,580**	**664,763**
Undrawn credit commitments					
Credit grade					
Investment	75,004	14,371	–	–	**89,375**
Pass	28,803	10,130	–	–	**38,933**
Weak	722	380	70	60	**1,232**
Total undrawn credit commitments	**104,529**	**24,881**	**70**	**60**	**129,540**
Total credit exposures	**649,789**	**138,724**	**4,150**	**1,640**	**794,303**
Impairment provision	**793**	**2,220**	**442**	**801**	**4,256**
Provisions to credit exposure, %	**0. 1**	**1. 6**	**10. 7**	**48. 8**	**0. 5**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	8,761	1,553	–	–	**10,314**
Pass	3,061	3,508	–	–	**6,569**
Weak	45	230	18	19	**312**
Total financial guarantees and other off Balance Sheet instruments	**11,867**	**5,291**	**18**	**19**	**17,195**
Impairment provision	**8**	**73**	**1**	**–**	**82**
Provisions to credit exposure, %	**0. 1**	**1. 4**	**5. 6**	**–**	**0. 5**
Total credit exposures					
Credit grade					
Investment	437,836	44,083	–	–	**481,919**
Pass	214,384	85,820	–	–	**300,204**
Weak	9,436	14,112	4,168	1,659	**29,375**
Total credit exposures	**661,656**	**144,015**	**4,168**	**1,659**	**811,498**
Total impairment provision	**801**	**2,293**	**443**	**801**	**4,338**
Provisions to credit exposure, %	**0. 1**	**1. 6**	**10. 6**	**48. 3**	**0. 5**

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

2 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.

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9.2 Credit risk (continued)

	Bank 30 Jun 19				
	Stage 1 collectively assessed $M	**Stage 2 [1] collectively assessed $M**	**Stage 3 collectively assessed $M**	**Stage 3 individually assessed $M**	**Total $M**
Retail secured					
Credit grade					
Investment	306,487	26,017	–	–	**332,504**
Pass	145,240	28,253	–	–	**173,493**
Weak	7,143	7,889	2,957	760	**18,749**
Total retail secured	**458,870**	**62,159**	**2,957**	**760**	**524,746**
Impairment provision	**233**	**353**	**122**	**262**	**970**
Provisions to credit exposure, %	**0. 1**	**0. 6**	**4. 1**	**34. 5**	**0. 2**
Retail unsecured					
Credit grade					
Investment	13,746	2,603	–	–	**16,349**
Pass	10,355	2,183	–	–	**12,538**
Weak	1,847	2,019	264	5	**4,135**
Total retail unsecured	**25,948**	**6,805**	**264**	**5**	**33,022**
Impairment provision	**434**	**906**	**200**	**3**	**1,543**
Provisions to credit exposure, %	**1. 7**	**13. 3**	**75. 8**	**60. 0**	**4. 7**
Non–retail					
Credit grade					
Investment	117,603	15,463	–	–	**133,066**
Pass	58,789	55,384	–	–	**114,173**
Weak	446	4,204	947	894	**6,491**
Total non-retail	**176,838**	**75,051**	**947**	**894**	**253,730**
Impairment provision	**134**	**1,034**	**121**	**536**	**1,825**
Provisions to credit exposure, %	**0. 1**	**1. 4**	**12. 8**	**60. 0**	**0. 7**
Total credit exposures					
Credit grade					
Investment	437,836	44,083	–	–	481,919
Pass	214,384	85,820	–	–	300,204
Weak	9,436	14,112	4,168	1,659	29,375
Total credit exposures	**661,656**	**144,015**	**4,168**	**1,659**	**811,498**
Impairment provision	**801**	**2,293**	**443**	**801**	**4,338**
Provisions to credit exposure, %	**0. 1**	**1. 6**	**10. 6**	**48. 3**	**0. 5**

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

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9.2 Credit risk (continued)

Impaired assets by classification

Assets in credit risk rated portfolios and retail managed portfolios are assessed for objective evidence that the financial asset is impaired.

Impaired assets are split into the following categories:

- non-performing facilities;
- restructured facilities; and
- unsecured retail managed facilities 90 days or more past due.

Non-performing facilities are facilities against which an individually assessed provision for impairment has been raised and facilities where loss of principal or interest is anticipated. Interest income on these facilities is reserved and taken to the Income Statement only if paid in cash or if a recovery is made.

Restructured facilities are facilities where the original contractual terms have been modified to non-commercial terms due to financial difficulties of the borrower. Interest on these facilities is taken to the Income Statement. Failure to comply fully with the modified terms will result in immediate reclassification to non-performing.

Unsecured retail products 90 days or more past due are credit cards, personal loans and other unsecured retail products which are 90 days or more past due. These loans are collectively provided for.

The Group does not manage credit risk based solely on arrears categorisation, but also uses credit risk rating principles as described earlier in this note.

	Group				
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Australia					
Non–performing assets:					
Gross balances	**1,845**	2,217	1,711	1,962	2,002
Less provisions for impairment	**(695)**	(826)	(694)	(817)	(807)
Net non-performing assets	**1,150**	1,391	1,017	1,145	1,195
Restructured assets:					
Gross balances	**363**	428	264	174	221
Less provisions for impairment	**(4)**	(13)	(4)	–	–
Net restructured assets	**359**	415	260	174	221
Unsecured retail products 90 days or more past due:					
Gross balances	**208**	245	254	251	252
Less provisions for impairment	**(185)**	(199)	(161)	(157)	(169)
Net unsecured retail products 90 days or more past due	**23**	46	93	94	83
Net Australia impaired assets	**1,532**	1,852	1,370	1,413	1,499
Overseas					
Non–performing assets:					
Gross balances	**824**	518	695	686	560
Less provisions for impairment	**(326)**	(126)	(176)	(163)	(138)
Net non-performing assets	**498**	392	519	523	422
Restructured assets:					
Gross balances	**278**	196	242	101	67
Less provisions for impairment	**(15)**	(6)	(20)	–	–
Net restructured assets	**263**	190	222	101	67
Unsecured retail products 90 days or more past due:					
Gross balances	**30**	18	13	13	14
Less provisions for impairment	**(30)**	(17)	(13)	(12)	(13)
Net unsecured retail products 90 days or more past due	**–**	1	–	1	1
Net overseas impaired assets	**761**	583	741	625	490
Total net impaired assets	**2,293**	2,435	2,111	2,038	1,989

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9.2 Credit risk (continued)

Impaired assets by size

	Group					
Impaired assets by size	Australia 30 Jun 20 $M	Overseas 30 Jun 20 $M	Total 30 Jun 20 $M	Australia 30 Jun 19 $M	Overseas 30 Jun 19 $M	Total 30 Jun 19 $M
Less than $1 million	**1,460**	**386**	**1,846**	1,698	266	1,964
$1 million to $10 million	**603**	**187**	**790**	628	147	775
Greater than $10 million	**353**	**559**	**912**	564	319	883
Total [1, 2]	**2,416**	**1,132**	**3,548**	2,890	732	3,622

Movement in impaired assets

	Group				
Movement in gross impaired assets	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Gross impaired assets – opening balance	**3,622**	3,179	3,187	3,116	2,855
New and increased	**2,631**	2,289	2,136	2,164	2,370
Balances written off	**(1,054)**	(1,245)	(1,196)	(1,225)	(1,328)
Returned to performing or repaid	**(2,221)**	(1,328)	(1,666)	(1,637)	(1,460)
Portfolio managed – new/increased/return to performing/repaid	**570**	727	718	769	679
Gross impaired assets – closing balance [1, 2]	**3,548**	3,622	3,179	3,187	3,116

1 As at 30 June 2020, impaired assets include those assets in Stage 3 that are considered impaired, as well as $77 million of restructured assets in Stage 2 (30 June 2019: $139 million). Stage 3 assets include impaired assets and those that are defaulted but not impaired as they are well secured.

2 Includes $3,382 million of loans and advances and $166 million of other financial assets (30 June 2019: $3,454 million of loans and advances and $168 million of other financial assets).

Notes to the financial statements

For the year ended 30 June 2020

9.2 Credit risk (continued)

Impaired assets by industry and status

	Group 30 Jun 20						
Industry	Total balance $M	Gross impaired assets $M	Total provisions for impaired assets [1] $M	Net impaired assets $M	Write-offs [2] $M	Recoveries [2] $M	Net Write-offs [2] $M
Loans – Australia							
Sovereign	23,521	–	–	–	–	–	–
Agriculture	9,680	95	(54)	41	1	(4)	(3)
Bank and other financial	13,136	6	(4)	2	1	–	1
Home loans	485,795	1,362	(235)	1,127	117	(4)	113
Construction	3,600	52	(42)	10	35	(1)	34
Other personal	17,695	249	(188)	62	655	(152)	503
Asset financing	10,434	106	(35)	71	19	(2)	17
Other commercial and industrial	109,184	518	(326)	192	221	(9)	212
Total loans – Australia	673,045	2,388	(884)	1,505	1,049	(172)	877
Loans – Overseas							
Sovereign	69	–	–	–	–	–	–
Agriculture	9,601	152	(19)	133	36	–	36
Bank and other financial	6,382	–	–	–	4	–	4
Home loans	57,085	307	(32)	275	4	(1)	3
Construction	593	3	(1)	2	2	–	2
Other personal	1,876	28	(34)	(7)	61	(12)	49
Asset financing	779	15	(1)	14	–	–	–
Other commercial and industrial	29,245	489	(284)	205	51	–	51
Total loans – Overseas	105,630	994	(371)	622	158	(13)	145
Total loans	778,675	3,382	(1,255)	2,127	1,207	(185)	1,022
Other balances – Australia							
Credit commitments	154,521	64	–	64	–	–	–
Derivatives	28,820	3	–	3	–	–	–
Total other balances – Australia	183,341	67	–	67	–	–	–
Other balances – Overseas							
Credit commitments	27,822	50	–	50	–	–	–
Derivatives	1,465	49	–	49	–	–	–
Total other balances – Overseas	29,287	99	–	99	–	–	–
Total other balances	212,628	166	–	166	–	–	–
Total	991,303	3,548	(1,255)	2,293	1,207	(185)	1,022

1 Includes $967 million of individually assessed provisions and $288 million of collective provisions.
2 Write-off, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

Notes to the financial statements

For the year ended 30 June 2020

9.2 Credit risk (continued)

	Group 30 Jun 19						
Industry	Total balance [1] $M	Gross impaired assets $M	Total provision for impaired assets [2] $M	Net impaired assets $M	Write-offs [3] $M	Recoveries [3] $M	Net Write-offs [3] $M
Loans – Australia							
Sovereign	22,404	–	–	–	–	–	–
Agriculture	9,140	114	(52)	62	59	–	59
Bank and other financial	11,952	6	(15)	(9)	1	–	1
Home loans	467,361	1,596	(272)	1,324	134	(4)	130
Construction	3,194	82	(84)	(2)	44	(1)	43
Other personal	21,508	276	(202)	74	787	(169)	618
Asset financing	10,471	78	(10)	68	17	(2)	15
Other commercial and industrial	106,991	626	(403)	223	126	(14)	112
Total loans – Australia	653,021	2,778	(1,038)	1,740	1,168	(190)	978
Loans – Overseas							
Sovereign	82	–	–	–	–	–	–
Agriculture	10,612	298	(46)	252	2	–	2
Bank and other financial	5,774	10	–	10	5	–	5
Home loans	55,581	204	(10)	194	2	(1)	1
Construction	573	1	–	1	2	–	2
Other personal	1,924	16	(20)	(4)	70	(11)	59
Asset financing	722	2	–	2	–	–	–
Other commercial and industrial	32,724	145	(73)	72	152	(4)	148
Total loans – Overseas	107,992	676	(149)	527	233	(16)	217
Total loans	761,013	3,454	(1,187)	2,267	1,401	(206)	1,195
Other balances – Australia							
Credit commitments	146,992	111	–	111	–	–	–
Derivatives	21,182	1	–	1	–	–	–
Total other balances – Australia	168,174	112	–	112	–	–	–
Other balances – Overseas							
Credit commitments	28,814	9	–	9	–	–	–
Derivatives	4,033	47	–	47	–	–	–
Total other balances – Overseas	32,847	56	–	56	–	–	–
Total other balances	201,021	168	–	168	–	–	–
Total	962,034	3,622	(1,187)	2,435	1,401	(206)	1,195

1 Information has been restated to conform to presentation in the current year.
2 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.
3 Write-off, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

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For the year ended 30 June 2020

9.2 Credit risk (continued)

Collateral held against loans, bills discounted and other receivables

	Group 30 Jun 20				
	Home loans	Other personal	Asset financing	Commercial and industrial	Total [1]
Maximum exposure ($M)	621,998	43,061	11,312	270,841	**947,212**
Collateral classification:					
Secured (%)	99. 2	5. 3	95. 3	51. 8	**81. 4**
Partially secured (%)	0. 8	–	4. 7	14. 7	**4. 8**
Unsecured (%)	–	94. 7	–	33. 5	**13. 8**

1 As at 30 June 2020, total exposures in ECL Stage 3 were $6,935 million. 57% of these exposures were secured, 27% partially secured and 16% unsecured.

	Group [1] 30 Jun 19				
	Home loans	Other personal	Asset financing	Commercial and industrial	Total [2]
Maximum exposure ($M)	598,691	46,737	11,241	266,546	923,215
Collateral classification:					
Secured (%)	99. 2	5. 7	96. 2	49. 8	80. 2
Partially secured (%)	0. 8	–	3. 8	15. 5	5. 1
Unsecured (%)	–	94. 3	–	34. 7	14. 7

1 Comparative information has been restated to conform to presentation in the current year.
2 As at 30 June 2019, total exposures in ECL Stage 3 were $6,697 million. 57% of these exposures were secured, 29% partially secured and 14% unsecured.

	Bank 30 Jun 20				
	Home loans	Other personal	Asset financing	Commercial and industrial	Total [1]
Maximum exposure ($M)	549,145	37,844	10,387	239,023	**836,399**
Collateral classification:					
Secured (%)	99. 2	5. 7	98. 6	52. 4	**81. 7**
Partially secured (%)	0. 8	–	1. 4	12. 6	**4. 1**
Unsecured (%)	–	94. 3	–	35. 0	**14. 2**

1 As at 30 June 2020, total exposures in ECL Stage 3 were $5,768 million. 64% of these exposures were secured, 20% partially secured and 16% unsecured.

	Bank [1] 30 Jun 19				
	Home loans	Other personal	Asset financing	Commercial and industrial	Total [2]
Maximum exposure ($M)	527,059	42,704	10,419	232,066	812,248
Collateral classification:					
Secured (%)	99. 1	6. 0	98. 6	50. 6	80. 5
Partially secured (%)	0. 9	–	1. 4	13. 0	4. 3
Unsecured (%)	–	94. 0	–	36. 4	15. 2

1 Comparative information has been restated to conform to presentation in the current year.
2 As at 30 June 2019, total exposures in ECL Stage 3 were $5,827 million. 63% of these exposures were secured, 23% partially secured and 14% unsecured.

For the purposes of the collateral classification above, home loans are classified as secured unless they are defaulted in which case they are classified as partially secured. For other types of credit exposures, a facility is determined to be secured where its ratio of exposure to the estimated value of collateral (adjusted for lending margins) is less than or equal to 100%. A facility is deemed to be partly secured when this ratio exceeds 100% but not more than 250%, and unsecured when either no security is held (e.g. can include credit cards, personal loans, small business loans, and exposures to highly rated corporate entities), or where the secured loan to estimated value of collateral exceeds 250%.

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For the year ended 30 June 2020

9.2 Credit risk (continued)

Collateral held against loans, bills discounted and other receivables (continued)

Home loans

Home loans are generally secured by fixed charges over borrowers' residential properties. In limited circumstances, collateral in the form of cash or commercial property may be provided in addition to residential 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.

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 99.0% confidence level. This means that there is a 99.0% probability that the loss will not exceed the VaR estimate on any given day.

The VaR measured for traded market risk uses two years of daily movement in market rates. The VaR measure for non-traded banking book market risk uses six years of daily movement in market rates.

A 10-day holding period is used for trading book positions. A 20-day holding period is used for interest rate risk in the banking book.

VaR is driven by historical observations and is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses stress testing to measure the potential for economic loss at confidence levels significantly higher than 99.0%. Management then uses these results in decisions to manage the economic impact of market risk positions.

Total market risk VaR (10-day 99.0% confidence)	Average June 2020 [1] $M	As at June 2020 $M	Average June 2019 [1, 2] $M	As at June 2019 [2] $M
Traded market risk	**48. 9**	**39. 3**	40. 3	39. 0
Non-traded interest rate risk [3]	**258. 4**	**479. 7**	137. 9	136. 4

1 Average VaR calculated for each 12 month period.
2 Comparative information has been restated to conform to presentation in the current year. This includes a change in the confidence interval in the VaR from 97.5% to 99.0% and a change in the holding period from one day to ten days.
3 The risk of these exposures has been represented in this table using a ten day holding period. In practice however, these 'non-traded' exposures are managed to a longer holding period.

Traded market risk

Traded market risk is generated through the Group's participation in financial markets to service its customers. The Group trades and distributes interest rate, foreign exchange, debt, equity and commodity products, and provides treasury, capital markets and risk management services to its customers globally.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury, capital market and risk management instruments, including a broad range of securities and derivatives.

Traded market risk VaR (10-day 99.0% confidence)	Average June 2020 [1] $M	As at June 2020 $M	Average June 2019 [1, 2] $M	As at June 2019 [2] $M
Interest rate risk	**23. 8**	**21. 1**	27. 2	14. 5
Foreign exchange risk	**21. 2**	**3. 0**	5. 9	8. 7
Equities risk	**0. 3**	**–**	-	0. 1
Commodities risk	**8. 5**	**10. 1**	9. 8	9. 6
Credit spread risk	**19. 4**	**35. 5**	6. 8	5. 4
Other market risk [3]	**41. 0**	**18. 0**	11. 4	40. 8
Diversification benefit	**(73. 1)**	**(53. 0)**	(30. 4)	(48. 4)
Total general market risk	**41. 1**	**34. 7**	30. 7	30. 7
Undiversified risk	**7. 1**	**4. 0**	8. 2	8. 0
ASB Bank	**0. 7**	**0. 6**	1. 4	0. 3
Total	**48. 9**	**39. 3**	40. 3	39. 0

1 Average VaR calculated for each 12 month period.
2 Comparative information has been restated to conform to presentation in the current year. This includes a change in the confidence interval in the VaR from 97.5% to 99.0% and a change in the holding period from one day to ten days.
3 Includes volatility risk and basis risk.

9.3 Market risk (continued)

Non-traded market risk

Interest rate risk in the banking book

Interest rate risk is the current and prospective impact to the Group's financial condition due to adverse changes in interest rates to which the Group's Balance Sheet is exposed. The maturity transformation activities of the Group create mismatches in the repricing terms of asset and liability positions. These mismatches may have undesired earnings and value outcomes depending on the interest rate movements. The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long-term.

The Group measures and manages the impact of interest rate risk in two ways:

(a) Next 12 months' earnings

Interest rate risk from an earnings perspective is the impact based on changes to the Net interest income over the next 12 months.

The risk to Net interest income over the next 12 months from changes in interest rates is measured on a monthly basis.

Earnings risk is measured through sensitivity analysis, which applies an instantaneous 100 basis point parallel shock in interest rates across the yield curve.

The prospective change to the Net interest income is measured by using an Asset and Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change in the Balance Sheet product mix, growth, funding and pricing strategies is incorporated.

Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied.

Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Group and repricing behaviours of customers. In addition to considering how the products have been repriced in the past the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analysis.

The 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. As the official cash rate in both Australia and New Zealand was 0.25% as at 30 June 2020, a downward rate shock of 100 basis points implies a 0.75% negative interest rate. The analysis does not take into account management actions that may be taken to mitigate the unfavourable impact of falling interest rates.

Net interest earnings at risk [1]		June 2020 $M	June 2019 $M
Average monthly exposure	AUD	**1,008. 7**	421. 9
	NZD	**5. 5**	8. 0
High monthly exposure	AUD	**1,682. 0**	558. 0
	NZD	**19. 9**	15. 5
Low monthly exposure	AUD	**506. 7**	217. 8
	NZD	**0. 1**	1. 1
As at balance date	AUD	**1,682. 0**	450. 3
	NZD	**3. 5**	8. 3

1 Exposures over a 12 month period. NZD exposures are presented in NZD.

Net interest earnings at risk increased during the period due to decreases in the official cash rate, which resulted in additional deposit balances becoming subject to interest rate floors.

(b) Economic value

Interest rate risk from the economic value perspective is based on a 20-day 99.0% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long-term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the VaR methodology.

A 20-day 99.0% VaR measure is used to capture the net economic value impact over the long-term or total life of all Balance Sheet assets and liabilities to adverse changes in interest rates.

The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

9.3 Market risk (continued)

Non-traded interest rate risk VaR (20-day 99.0% confidence)	June 2020[1] $M	June 2019[1,2] $M
Average daily exposure	365. 4	194. 8
High daily exposure	804. 2	214. 3
Low daily exposure	224. 1	178. 6
As at balance date	678. 4	193. 4

1 Average VaR calculated for each 12 month period.
2 Comparative information has been restated to conform to presentation in the current year. This includes a change in the confidence interval in the VaR from 97.5% to 99.0%.

Non-traded equity risk

Non-traded equity includes all equity instruments outside the trading portfolio with the exception of the Group's structural and strategic holdings.

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 2020 $M	As at June 2019[1] $M
VaR	13. 4	22. 4

1 Non-traded equity VaR as at 30 June 2019 includes holdings in CFSGAM. The Group completed the sale and deconsolidated CFSGAM on 2 August 2019. Excluding CFSGAM, non-traded equity VaR as at 30 June 2019 was $9.8 million.

Market risk in insurance businesses

The Group deconsolidated and derecognised CommInsure Life (excluding BoCommLife) on 1 November 2019. The following is the information about the Group's exposure to market risk in insurance business as at 30 June 2019.

The Group had 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 supported either the Group's life insurance or life investment contracts. Market risk arose for the Group on contracts where the liabilities to policyholders were guaranteed by the Group. The Group managed this risk by having an asset and liability management framework which included the use of hedging instruments. The Group also monitored 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 represented shareholder (Group) capital. Market risk also arose for the Group on the investment of this capital. Shareholders' funds in the Australian life insurance businesses were invested 99.0% 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 (20-day 97.5% confidence)	Average June 2019[1] $M
Shareholder funds[2]	1. 1
Guarantees (to policyholders)[3]	22. 8

1 Average VaR calculated for the 12 month period.
2 VaR in relation to the investment of shareholder funds.
3 VaR in relation to product portfolios where the Group has guaranteed liabilities to policyholders.

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, 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 a potential fall in prices of these assets below the guarantee level at lease expiry.

Commonwealth Bank Group Super Fund

The Commonwealth Bank Group Super Fund (the Fund) has a defined benefit portion that creates market risk for the Group.

Risk management 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 issue debt on an unsecured or secured basis, has sufficient liquid assets to borrow against under repurchase agreements or sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

Liquidity and funding risk management framework

The CBA Board is ultimately responsible for the sound and prudent management of liquidity risk across the Group. The Group's liquidity and funding policies, structured under a formal Group Liquidity and Funding Risk Management Framework, are approved by the Board and agreed with APRA. The Group Asset and Liability Committee (ALCO) charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's Liquidity Policy and supporting standards, and has ultimate authority to execute liquidity and funding decisions should the Group Contingency Funding Plan be activated. Risk Management provides oversight of the Group's liquidity and funding risks, compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB, manages its own domestic liquidity and funding needs in accordance with its own liquidity policy and the policies of the Group. ASB's liquidity policy is also overseen by the RBNZ.

Liquidity and funding policies and management

The Group's liquidity and funding policies provide that:

- an excess of liquid assets over the minimum prescribed under APRA's LCR requirement is maintained. Australian ADIs are required to meet a 100% LCR, calculated as the ratio of high quality liquid assets to 30 day net cash outflows projected under a prescribed stress scenario;
- a surplus of stable funding from various sources, as measured by APRA's Net Stable Funding Ratio (NSFR), is maintained. The NSFR is calculated by applying factors prescribed by APRA to assets and liabilities to determine a ratio of required stable funding to available stable funding which must be greater than 100%;
- additional internal funding and liquidity metrics are calculated and stress tests additional to the LCR are run;
- short and long-term wholesale funding limits are established, monitored and reviewed regularly;
- the Group's wholesale funding market capacity is regularly assessed and used as a factor in funding strategies;
- 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 term securities, supranational bonds, Australian Residential Mortgage Backed Securities (RMBS) and other securities that meet RBA criteria for purchases under repurchase agreements. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA using the Committed Liquidity Facility (CLF) and Term Funding Facility (TFF); and
- offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets to meet required regulations.

The Group's key funding tools include:

- consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- small business customer and institutional deposit base;
- wholesale domestic and international funding programmes, which include Australian dollar Negotiable Certificates of Deposit, US and Euro Commercial Paper programmes, Australian dollar Domestic Debt Programme, US Extendible Notes programmes, US Medium-Term Note Programmes, Euro Medium-Term Note Programme, multi jurisdiction Covered Bond programme and Medallion securitisation programmes; and
- access to the RBA Term Funding Facility (TFF).

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9.4 Liquidity and funding risk (continued)

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 that allows forecasting of liquidity needs on a daily basis;
- an additional liquidity management model that implements the established prudential liquidity requirements. This model is calibrated with a series of 'stress' liquidity crisis scenarios, incorporating both systemic and idiosyncratic crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- Central Bank repurchase agreement facilities including the RBA's CLF that provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- a robust Contingency Funding Plan that is regularly tested so that it can be quickly activated when required.

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9.4 Liquidity and funding risk (continued)

Maturity analysis of monetary liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	Group Maturity period as at 30 June 2020					
	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings [1]	605,174	91,162	5,944	1,057	–	703,337
Payables to financial institutions	11,820	3,105	1,548	–	–	16,473
Liabilities at fair value through Income Statement	769	178	746	2,906	–	4,599
Derivative financial instruments:						
Held for trading	25,280	–	–	–	–	25,280
Held for hedging purposes (net-settled)	115	244	718	91	–	1,168
Held for hedging purposes (gross-settled):						
Outflows	6,535	9,380	44,008	24,410	–	84,333
Inflows	(3,521)	(8,816)	(41,966)	(23,036)	–	(77,339)
Debt issues and loan capital	13,255	25,978	83,871	60,408	–	183,512
Lease liabilities	132	411	1,807	1,155	–	3,505
Other monetary liabilities	6,580	370	80	59	–	7,089
Liabilities held for sale	414	–	–	–	–	414
Total monetary liabilities	666,553	122,012	96,756	67,050	–	952,371
Guarantees [2]	6,448	–	–	–	–	6,448
Loan commitments [2]	168,624	–	–	–	–	168,624
Other commitments [2]	7,358	–	–	–	–	7,358
Total off Balance Sheet items	182,430	–	–	–	–	182,430
Total monetary liabilities and off Balance Sheet items	848,983	122,012	96,756	67,050	–	1,134,801

	Group [3] Maturity period as at 30 June 2019					
	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings [1]	525,933	106,037	7,065	91	–	639,126
Payables to financial institutions	19,511	3,919	42	–	–	23,472
Liabilities at fair value through Income Statement	4,612	2,334	736	1,244	–	8,926
Derivative financial instruments:						
Held for trading	17,925	–	–	–	–	17,925
Held for hedging purposes (net-settled)	120	385	1,025	163	–	1,693
Held for hedging purposes (gross-settled):						
Outflows	3,548	16,619	40,211	29,726	–	90,104
Inflows	(2,990)	(15,418)	(37,846)	(27,686)	–	(83,940)
Debt issues and loan capital	18,592	37,817	94,619	53,488	–	204,516
Other monetary liabilities	5,657	374	495	58	–	6,584
Liabilities held for sale	561	169	956	491	13,052	15,229
Total monetary liabilities	593,469	152,236	107,303	57,575	13,052	923,635
Guarantees [2]	6,506	–	–	–	–	6,506
Loan commitments [2]	162,202	–	–	–	–	162,202
Other commitments [2]	7,098	–	–	–	–	7,098
Total off Balance Sheet items	175,806	–	–	–	–	175,806
Total monetary liabilities and off Balance Sheet items	769,275	152,236	107,303	57,575	13,052	1,099,441

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)

	Bank Maturity period as at 30 June 2020					
	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings [1]	552,273	75,120	3,917	991	–	632,301
Payables to financial institutions	10,741	3,105	1,548	–	–	15,394
Liabilities at fair value through Income Statement	260	178	746	2,906	–	4,090
Derivative financial instruments:						
Held for trading	28,381	–	–	–	–	28,381
Held for hedging purposes (net-settled)	114	267	767	95	–	1,243
Held for hedging purposes (gross-settled):						
Outflows	6,584	10,689	47,648	29,394	–	94,315
Inflows	(3,716)	(10,404)	(46,124)	(28,410)	–	(88,654)
Debt issues and loan capital	11,978	21,493	65,223	53,865	–	152,559
Due to controlled entities	6,687	6,400	26,315	13,670	–	53,072
Lease liabilities	121	381	1,680	1,051	–	3,233
Other monetary liabilities	6,496	238	106	32	–	6,872
Total monetary liabilities	619,919	107,467	101,826	73,594	–	902,806
Guarantees [2]	5,974	–	–	–	–	5,974
Loan commitments [2]	152,812	–	–	–	–	152,812
Other commitments [2]	7,225	–	–	–	–	7,225
Total off Balance Sheet items	166,011	–	–	–	–	166,011
Total monetary liabilities and off Balance Sheet items	785,930	107,467	101,826	73,594	–	1,068,817

	Bank [3] Maturity period as at 30 June 2019					
	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings [1]	484,499	86,805	4,833	9	–	576,146
Payables to financial institutions	18,758	3,919	42	–	–	22,719
Liabilities at fair value through Income Statement	4,608	1,768	736	1,244	–	8,356
Derivative financial instruments:						
Held for trading	20,732	–	–	–	–	20,732
Held for hedging purposes (net-settled)	117	401	1,071	168	–	1,757
Held for hedging purposes (gross-settled):						
Outflows	2,724	15,013	44,943	34,320	–	97,000
Inflows	(2,293)	(14,275)	(43,176)	(33,234)	–	(92,978)
Debt issues and loan capital	17,187	31,450	74,832	45,362	–	168,831
Due to controlled entities	5,195	6,311	24,499	13,605	–	49,610
Other monetary liabilities	5,404	335	458	55	–	6,252
Total monetary liabilities	556,931	131,727	108,238	61,529	–	858,425
Guarantees [2]	6,026	–	–	–	–	6,026
Loan commitments [2]	146,483	–	–	–	–	146,483
Other commitments [2]	6,944	–	–	–	–	6,944
Total off Balance Sheet items	159,453	–	–	–	–	159,453
Total monetary liabilities and off Balance Sheet items	716,384	131,727	108,238	61,529	–	1,017,878

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, is included in the accounting policy within this note.

	Group Fair value as at 30 June 2020				Fair value as at 30 June 2019 [1]			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	33,001	5,422	–	**38,423**	24,599	1,053	–	25,652
Other	77	7,992	53	**8,122**	319	7,706	–	8,025
Derivative assets	192	29,966	127	**30,285**	59	25,072	84	25,215
Investment securities at fair value through Other Comprehensive Income	60,336	18,648	565	**79,549**	77,193	1,666	53	78,912
Assets held for sale [2]	–	260	–	**260**	934	7,631	2,339	10,904
Total financial assets measured at fair value	93,606	62,288	745	**156,639**	103,104	43,128	2,476	148,708
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	3,615	782	–	**4,397**	1,583	6,937	–	8,520
Derivative liabilities	69	31,248	30	**31,347**	132	22,579	66	22,777
Liabilities held for sale [2]	–	–	–	**–**	3	6,325	496	6,824
Total financial liabilities measured at fair value	3,684	32,030	30	**35,744**	1,718	35,841	562	38,121

1 Comparative information has been restated to conform to presentation in the current year and to reflect changes in accounting policy detailed in Note 1.1.
2 For details of the Group's assets and liabilities held for sale refer to Note 11.3.

9.5 Disclosures about fair values (continued)

	Bank							
	Fair value as at 30 June 2020				Fair value as at 30 June 2019 [1]			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	32,991	5,422	–	**38,413**	24,569	1,053	–	25,622
Other	–	7,818	53	**7,871**	–	7,506	–	7,506
Derivative assets	192	29,003	127	**29,322**	56	24,171	84	24,311
Investment securities at fair value through Other Comprehensive Income	54,472	17,298	565	**72,335**	72,479	680	53	73,212
Total financial assets measured at fair value	87,655	59,541	745	**147,941**	97,104	33,410	137	130,651
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	3,485	403	–	**3,888**	1,583	6,378	–	7,961
Derivative liabilities	68	36,150	30	**36,248**	132	26,456	66	26,654
Total financial liabilities measured at fair value	3,553	36,553	30	**40,136**	1,715	32,834	66	34,615

1 Comparative information has been restated to conform to presentation in the current year and to reflect changes in accounting policy detailed in Note 1.1.

9.5 Disclosures about fair values (continued)

Analysis of movements between fair value hierarchy levels

During the year ended 30 June 2020, $16,777 million of Investment securities at fair value through other comprehensive income and $4,979 million of trading securities were reclassified from Level 1 to Level 2 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 2020

	Group						
	Financial Assets					Financial Liabilities	
	Derivative assets $M	Investment securities at fair value through OCI $M	Available for sale investments $M	Assets at fair value through Income Statement $M	Assets held for sale [1] $M	Derivative liabilities $M	Liabilities held for sale [1] $M
As at 1 July 2018	93	–	65	–	1,818	(340)	(353)
Change on adoption of AASB 9	–	65	(65)	–	–	–	–
Purchases	15	–	–	–	499	–	–
Sales/settlements	–	(8)	–	–	–	–	–
Gains/(losses) in the year:				–			
Recognised in the Income Statement	(5)	–	–	–	22	198	–
Recognised in the Statement of Comprehensive Income	–	(4)	–	–	–	–	–
Transfers in	–	–	–	–	–	–	(143)
Transfers out	(19)	–	–	–	–	76	–
As at 30 June 2019	84	53	–	–	2,339	(66)	(496)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2019	22	–	–	–	22	175	–
As at 1 July 2019	84	53	–	–	2,339	(66)	(496)
Purchases	–	453	–	54	15	–	–
Sales/settlements	(23)	(4)	–	–	–	–	–
Gains/(losses) in the year:							
Recognised in the Income Statement	51	–	–	(1)	(4)	1	–
Recognised in the Statement of Comprehensive Income	–	60	–	–	–	(24)	–
Transfers in	34	3	–	–	–	–	(21)
Transfers out	(19)	–	–	–	–	59	–
Derecognised on deconsolidation of controlled entities	–	–	–	–	(2,350)	–	517
As at 30 June 2020	127	565	–	53	–	(30)	–
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2020	48	–	–	(1)	–	1	–

1 For details of the Group's assets and liabilities held for sale refer to Note 11.3.

Notes to the financial statements

For the year ended 30 June 2020

9.5 Disclosures about fair values (continued)

	Bank				
	Financial assets				Financial liabilities
	Derivative assets $M	Investment securities at fair value through OCI $M	Assets at fair value through Income Statement $M	Available for sale investments $M	Derivative liabilities $M
As at 1 July 2018	93	–	–	65	(340)
Change on adoption of AASB 9	–	65	–	(65)	–
Purchases	15	–	–	–	–
Sales/settlements	–	(8)	–	–	–
Gains/(losses) in the period:			–		
Recognised in the Income Statement	(5)	–	–	–	198
Recognised in the Statement of Comprehensive Income	–	(4)	–	–	–
Transfers in	–	–	–	–	–
Transfers out	(19)	–	–	–	76
As at 30 June 2019	84	53	–	–	(66)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2019	22	–	–	–	175
As at 1 July 2019	84	53	–	–	(66)
Purchases	–	453	54	–	–
Sales/settlements	(23)	(4)	–	–	–
Gains/(losses) in the period:					
Recognised in the Income Statement	51	–	(1)	–	1
Recognised in the Statement of Comprehensive Income	–	60		–	(24)
Transfers in	34	3	–	–	–
Transfers out	(19)	–	–	–	59
As at 30 June 2020	127	565	53	–	(30)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2020	48	–	(1)	–	1

Notes to the financial statements

For the year ended 30 June 2020

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:

	30 Jun 20					30 Jun 19 [1]				
	Carrying value	Fair value				Carrying value	Fair value			
Group	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets										
Investment securities at amortised cost	**5,173**	**–**	**5,145**	**15**	**5,160**	7,355	–	7,330	15	7,345
Loans, bills discounted and other receivables	**771,547**	**–**	**–**	**771,763**	**771,763**	755,173	–	–	755,547	755,547
Financial liabilities										
Deposits and other public borrowings	**701,999**	**–**	**702,438**	**–**	**702,438**	636,040	–	636,465	18	636,483
Debt issues	**142,503**	**–**	**142,466**	**–**	**142,466**	164,022	–	164,327	–	164,327
Loan capital	**27,357**	**10,811**	**15,900**	**–**	**26,711**	22,966	9,477	13,641	–	23,118
Bank										
Financial assets										
Investment securities at amortised cost	**5,167**	**–**	**5,145**	**9**	**5,154**	7,349	–	7,340	9	7,349
Loans, bills discounted and other receivables	**677,268**	**–**	**–**	**677,012**	**677,012**	660,508	–	–	660,692	660,692
Shares in and loans to controlled entities	**66,792**	**–**	**–**	**65,259**	**65,259**	63,943	–	–	56,779	56,779
Financial liabilities										
Deposits and other public borrowings	**631,301**	**–**	**631,551**	**–**	**631,551**	573,851	–	574,164	18	574,182
Debt issues	**113,323**	**–**	**114,081**	**–**	**114,081**	131,094	–	132,103	–	132,103
Loan capital	**26,964**	**10,820**	**15,512**	**–**	**26,332**	22,569	9,483	13,237	–	22,720

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

Notes to the financial statements

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9.5 Disclosures about fair values (continued)

ACCOUNTING POLICIES

Valuation

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. Assets and long positions are measured at a quoted bid price; liabilities and short positions are measured at a quoted asking price. Where the Group has positions with offsetting market risks, mid-market prices are used to measure the offsetting risk positions and a quoted bid or asking price adjustment is applied only to the net open position as appropriate.

Non-market quoted financial instruments are mostly valued using valuation techniques based on observable inputs except where observable market data is unavailable. Where market data is unavailable the financial instrument is initially recognised at the transaction price, which is generally the best indicator of fair value. This may differ from the value obtained from the valuation model. The timing of the recognition in the Income Statement of this initial difference in fair value depends on the individual facts and circumstances of each transaction, but is never later than when the market data becomes observable. The difference may be either amortised over the life of the transaction, recognised when the inputs become observable or on derecognition of the instrument, as appropriate.

The fair value of Over-the-Counter (OTC) derivatives includes credit valuation adjustments (CVA) for derivative assets to reflect the credit worthiness of the counterparty. Fair value of uncollateralised derivative assets and uncollateralised derivative liabilities incorporate funding valuation adjustments (FVA) to reflect funding costs and benefits to the Group. These adjustments are applied after considering any relevant collateral or master netting arrangements.

Fair value hierarchy

The Group utilises various valuation techniques and applies a hierarchy for valuation inputs that maximise the use of observable market data, if available.

Under AASB 13 *Fair Value Measurement* all financial and non-financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:

Quoted prices in active markets – Level 1

This category includes assets and liabilities for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial instruments included in this category are liquid government bonds, financial institution and corporate bonds, certificates of deposit, bank bills, listed equities and exchange traded derivatives.

Valuation technique using observable inputs – Level 2

This category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are commercial papers, mortgage-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and FX options.

Valuation technique using significant unobservable inputs – Level 3

This category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility. Financial instruments included in this category for the Group and Bank are certain exotic OTC derivatives and unlisted equity instruments.

As at 30 June 2020, Level 3 Investment securities at fair value through other comprehensive income include unlisted equity instruments of $506 million. The valuation of this investment is based on a methodology that leverages significant unobservable inputs including revenue multiples of market listed comparable entities. The range of revenue multiples applied by the Group as at 30 June 2020 was 9x-10x. The effect of adjusting these inputs to a range of reasonably possible alternatives would be to increase the fair value by up to $75 million or to decrease the fair value by up to $75 million with all of the potential effect impacting Investment securities revaluation reserve.

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.

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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 [1]		Bank [1]	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Cash	**5,419**	6,147	**4,274**	5,568
Securities	**16,858**	12,732	**16,290**	11,379
Collateral held	**22,277**	18,879	**20,564**	16,947
Collateral held which is re-pledged or sold	**4,390**	2,513	**4,390**	2,520

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

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 [1]		Bank	
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Cash	**8,581**	6,819	**7,363**	5,781
Securities [2]	**19,138**	21,022	**19,345**	21,138
Assets pledged	**27,719**	27,841	**26,708**	26,919
Asset pledged which can be re-pledged or re-sold by counterparty	**19,138**	21,022	**19,345**	21,138

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

2 These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 4.1.

The Group and the Bank have pledged collateral as part of entering into repurchase and derivative agreements. These transactions are governed by standard industry agreements.

9.7 Offsetting financial assets and financial liabilities

The table below identifies amounts that have been offset on the Balance Sheet and amounts covered by enforceable netting arrangements or similar agreements that do not qualify for set off. Cash settled derivatives that trade on an exchange are deemed to be economically settled and therefore outside the scope of these disclosures.

Group
30 Jun 20

	Subject to enforceable master netting or similar agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
Financial instruments	Gross Balance Sheet amount $M	Amount offset [1] $M	Reported on the Balance Sheet $M	Financial instruments [2] $M	Financial collateral (received)/ pledged [2] $M	Net amount $M	Not subject to netting agreements $M	Total Balance Sheet amount $M
Derivative assets	55,684	(27,646)	28,038	(18,618)	(4,900)	4,520	2,247	**30,285**
Securities purchased under agreements to resell	16,858	–	16,858	(1,313)	(15,539)	6	–	**16,858**
Equity securities sold not delivered [3]	1,031	(536)	495	–	–	495	–	**495**
Total financial assets	73,573	(28,182)	45,391	(19,931)	(20,439)	5,021	2,247	**47,638**
Derivative liabilities	(57,184)	26,718	(30,466)	18,618	6,269	(5,579)	(883)	**(31,349)**
Securities sold under agreements to repurchase	(16,877)	–	(16,877)	1,313	15,564	–	–	**(16,877)**
Equity securities purchased not delivered [3]	(1,245)	536	(709)	–	–	(709)	–	**(709)**
Total financial liabilities	(75,306)	27,254	(48,052)	19,931	21,833	(6,288)	(883)	**(48,935)**

1 The net offset balance of $928 million relates to variation margin netting reflected on other Balance Sheet lines.
2 For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result, the above collateral balances will not correspond to the tables in Note 9.6.
3 Includes $105 million of receivables and $172 million of payables of AUSIEX presented within assets and liabilities held for sale as at 30 June 2020.

Bank
30 Jun 20

	Subject to enforceable master netting or similar agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
Financial instruments	Gross Balance Sheet amount $M	Amount offset [1] $M	Reported on the Balance Sheet $M	Financial instruments [2] $M	Financial collateral (received)/ pledged [2] $M	Net amount $M	Not subject to netting agreements $M	Total Balance Sheet amount $M
Derivative assets	54,732	(27,647)	27,085	(18,588)	(3,792)	4,705	2,238	**29,323**
Securities purchased under agreements to resell	16,290	–	16,290	(1,313)	(14,971)	6	–	**16,290**
Total financial assets	71,022	(27,647)	43,375	(19,901)	(18,763)	4,711	2,238	**45,613**
Derivative liabilities	(62,127)	26,718	(35,409)	18,588	6,627	(10,194)	(840)	**(36,249)**
Securities sold under agreements to repurchase	(17,084)	–	(17,084)	1,313	15,771	–	–	**(17,084)**
Total financial liabilities	(79,211)	26,718	(52,493)	19,901	22,398	(10,194)	(840)	**(53,333)**

1 The net offset balance of $929 million relates to variation margin netting reflected on other Balance Sheet lines.
2 For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 9.6.

9.7 Offsetting financial assets and financial liabilities (continued)

Group
30 Jun 19

	Subject to enforceable master netting or similar agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
Financial instruments	Gross Balance Sheet amount $M	Amount offset [1] $M	Reported on the Balance Sheet $M	Financial instruments [2] $M	Financial collateral (received)/ pledged [2] $M	Net amount $M	Not subject to netting agreements $M	Total Balance Sheet amount $M
Derivative assets	40,913	(17,801)	23,112	(14,318)	(5,095)	3,699	2,103	25,215
Securities purchased under agreements to resell	12,732	–	12,732	(565)	(12,146)	21	–	12,732
Equity securities sold not delivered	661	(313)	348	–	–	348	–	348
Total financial assets	54,306	(18,114)	36,192	(14,883)	(17,241)	4,068	2,103	38,295
Derivative liabilities	(42,756)	20,727	(22,029)	14,318	4,086	(3,625)	(748)	(22,777)
Securities sold under agreements to repurchase	(19,099)	–	(19,099)	565	18,534	–	–	(19,099)
Equity securities purchased not delivered	(821)	313	(508)	–	–	(508)	–	(508)
Total financial liabilities	(62,676)	21,040	(41,636)	14,883	22,620	(4,133)	(748)	(42,384)

1 The net offset balance of $2,926 million relates to variation margin netting reflected on other Balance Sheet lines.
2 For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 9.6.

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				
Financial instruments	Gross Balance Sheet amount $M	Amount offset [1] $M	Reported on the Balance Sheet $M	Financial instruments [2] $M	Financial collateral (received)/ pledged [2] $M	Net amount $M	Not subject to netting agreements $M	Total Balance Sheet amount $M
Derivative assets	39,487	(17,273)	22,214	(14,065)	(4,697)	3,452	2,097	24,311
Securities purchased under agreements to resell	11,378	–	11,378	(573)	(10,784)	21	–	11,378
Total financial assets	50,865	(17,273)	33,592	(14,638)	(15,481)	3,473	2,097	35,689
Derivative liabilities	(45,839)	19,944	(25,895)	14,065	4,039	(7,791)	(759)	(26,654)
Securities sold under agreements to repurchase	(19,215)	–	(19,215)	573	18,642	–	–	(19,215)
Total financial liabilities	(65,054)	19,944	(45,110)	14,638	22,681	(7,791)	(759)	(45,869)

1 The net offset balance of $2,671 million relates to variation margin netting reflected on other Balance Sheet lines.
2 For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 9.6.

9.7 Offsetting financial assets and financial liabilities (continued)

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 48,000 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)

From the 2019 financial year, the Group's LTVR award to the CEO, Group Executives and the CEO of ASB (from the 2020 financial year) is made under the Employee Equity Plan (EEP). LTVR awards up to and including the 2018 financial year were made under the Group's 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 one-for-one 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 the 2017 financial year award made to the CEO and Group Executives:

- 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 to the CEO and Group Executives:

- 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.

For the 2020 financial year award made to the CEO of ASB:

- 50% of the award is assessed against TSR compared to the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.
- 25% of the award is assessed against an ASB Relative Trust and Reputation measure; and
- 25% of the award is assessed against an ASB Absolute Employee Engagement measure.

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 20	**808,519**	**322,283**	**(33,009)**	**(146,380)**	**951,413**	**7,566**
30 Jun 19	678,801	294,619	(34,099)	(130,802)	808,519	7,186

The weighted average fair value at the grant date for TSR was $34.07 and $57.86 for both Trust and Reputation and Employee Engagement Rights issued during the year (2019: $33.57 for TSR and $49.87 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 2020 financial year award include a share price of $80.34 and $90.26, a risk-free interest rate of 0.85% and 0.76%, a 5.23% and 4.66% dividend yield on the Bank's ordinary shares and a volatility in the Bank share price of 15% and 25%.

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10.1 Share-based payments (continued)

Group Rights Plan (GRP) and Employee Equity Plan (EEP)

The GRP and EEP facilitate mandatory short-term variable remuneration deferral, sign-on and retention awards. Participants are awarded rights or restricted shares that vest provided the participant remains in employment of the Group until vesting and subject to risk and malus review. The following table provides details of outstanding awards of rights and restricted shares granted under the GRP and EEP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
30 Jun 20	**2,152,467**	**819,276**	**(1,031,588)**	**(104,535)**	**1,835,620**	**61,332**
30 Jun 19	2,246,204	1,086,280	(993,435)	(186,582)	2,152,467	77,136

The weighted average fair value at grant date of the awards issued during the year was $79.62 (2019: $71.08).

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.

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 hurdle for the 2019 financial year, the Board exercised its discretion and approved an award of $1,000 during the financial year ended 30 June 2020 to each eligible employee to recognise their contribution throughout the year.

The following table provides details of shares granted under the ESAP:

Period	Allocation date	Participants	Number of shares allocated per participant	Total number of shares allocated	Issue price $	Total fair value ($'000)
30 Jun 20	4 Nov 19	**30,653**	**12**	**367,836**	**80.29**	**29,534**
30 Jun 19	16 Nov 18	30,960	7	216,720	70.86	15,357

It is estimated that approximately $34 million of CBA shares will be awarded under the 2020 grant.

Other employee awards

A number of other plans are operated by the Group, including:

- The Employee Share (Performance Unit) Plan and EEP Cash Settled Rights are cash-based equity awards;
- EEP rights for certain employees based overseas; and
- The International Employee Share Acquisition Plan, which is the cash-based version of the ESAP.

The following table provides a summary of the movement in awards during the year:

Period	Outstanding 1 July	Granted	Vested/exercised	Forfeited	Outstanding 30 June	Expense ($'000)
30 Jun 20	**381,424**	**192,643**	**(203,833)**	**(27,930)**	**342,304**	**9,449**
30 Jun 19	509,927	162,180	(242,026)	(48,657)	381,424	15,805

The weighted average fair value at grant date of the awards issued during the year was $79.62 (2019: $71.35).

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10.1 Share-based payments (continued)

Salary sacrifice arrangements

The Group facilitates the purchase of CBA shares via salary sacrifice as follows:

Type	Arrangements
Salary sacrifice	• Australian based employees and Non-Executive Directors can elect to sacrifice between $2,000 and $5,000 p.a. of their fixed remuneration and/or annual STVR or fees (in the case of Non-Executive Directors). • Restricted from sale for a minimum of two years and a maximum of seven years or earlier, if the employee ceases employment with the Group (or retires from the Group in the case of Non-Executive Directors).
Non-Executive Directors	• Non-Executive Directors can elect to apply a percentage of after-tax fees towards the acquisition of CBA shares. From 1 July 2019, Non-Executive Directors are required to hold CBA shares equivalent to 100% of their Board member base fees, or Board Chairman fees (as applicable). This shareholding is to be accumulated over five years commencing on the later of 1 July 2019 or their respective date of appointment, valued with reference to the prevailing CBA share price at the date of appointment.

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 ($'000)
30 Jun 20	**1,043**	**44,586**	**81.05**	**3,614**
30 Jun 19	952	47,205	71.57	3,378

During the year four (2019: four) Non-Executive Directors applied $123,766.70 in fees (2019: $103,151.14) to purchase 1,633 shares (2019: 1,424 shares).

10.2 Retirement benefit obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Commonwealth Bank Group Super	Defined benefits and accumulation[1]	Indexed pension and lump sum	30 June 2018
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA (UK) SBS)	Defined benefits and accumulation[1]	Indexed pension and lump sum	30 June 2019

1 The defined benefit formulae are generally 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. In the second half of the year ended 30 June 2020, the Bank made an additional lump sum contribution of $60 million to ensure the Fund remained in funding surplus amid financial market volatility caused by COVID-19. Employer contributions paid to the plan are subject to tax at the rate of 15% in the plan.

The Bank made a lump sum payment of GBP24 million ($43 million) in August 2019 to cover the potential future funding deficit in CBA (UK) SBS. An actuarial assessment of CBA (UK) SBS as at 30 June 2019 was completed in July 2020. It confirmed a funding deficit (before the lump sum payment in August 2019) of GBP21.2 million ($38.0 million).

The Group's expected contributions to Commonwealth Bank Group Super and CBA (UK) SBS for the year ended 30 June 2021 are $240 million and GBP12 million ($21.5 million) respectively.

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10.2 Retirement benefit obligations (continued)

Defined benefit superannuation plan

		Commonwealth Bank Group Super		CBA (UK) SBS		Total	
	Note	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 $M	30 Jun 19 $M
Present value of funded obligations		**(2,870)**	(3,004)	**(677)**	(711)	**(3,547)**	(3,715)
Fair value of plan assets		**3,344**	3,438	**884**	739	**4,228**	4,177
Net pension assets/(liabilities) as at 30 June		**474**	434	**207**	28	**681**	462
Amounts in the Balance Sheet:							
Assets	6.3	**474**	434	**207**	28	**681**	462
Net assets/(liabilities)		**474**	434	**207**	28	**681**	462
The amounts recognised in the Income Statement are as follows:							
Current service cost		**(41)**	(36)	**(3)**	(6)	**(44)**	(42)
Net interest income/(expense)		**10**	16	**2**	2	**12**	18
Gain on curtailment		**–**	–	**7**	–	**7**	–
Employer financed benefits within accumulation division [1]		**(278)**	(279)	**–**	–	**(278)**	(279)
Total included in superannuation plan expense		**(309)**	(299)	**6**	(4)	**(303)**	(303)
Changes in the present value of the defined benefit obligation are as follows:							
Opening defined benefit obligation		**(3,004)**	(2,826)	**(711)**	(645)	**(3,715)**	(3,471)
Current service cost		**(41)**	(36)	**(3)**	(6)	**(44)**	(42)
Interest cost		**(96)**	(119)	**(16)**	(17)	**(112)**	(136)
Member contributions		**(6)**	(6)	**–**	–	**(6)**	(6)
Actuarial (losses) from changes in demographic assumptions		**–**	(18)	**(2)**	–	**(2)**	(18)
Actuarial gains/(losses) from changes in financial assumptions		**112**	(228)	**(47)**	(69)	**65**	(297)
Actuarial gains/(losses) due to experience		**(31)**	45	**48**	–	**17**	45
Payments from the plan		**196**	184	**40**	39	**236**	223
Gain on curtailment		**–**	–	**7**	–	**7**	–
Exchange differences on foreign plans		**–**	–	**5**	(13)	**5**	(13)
Closing defined benefit obligation		**(2,870)**	(3,004)	**(679)**	(711)	**(3,549)**	(3,715)
Changes in the fair value of plan assets are as follows:							
Opening fair value of plan assets		**3,438**	3,355	**739**	697	**4,177**	4,052
Interest income		**106**	135	**18**	19	**124**	154
Return on plan assets (excluding interest income)		**(32)**	165	**112**	34	**80**	199
Member contributions		**6**	6	**–**	–	**6**	6
Employer contributions		**300**	240	**70**	15	**370**	255
Employer financed benefits within accumulation division		**(278)**	(279)	**–**	–	**(278)**	(279)
Payments from the plan		**(196)**	(184)	**(40)**	(39)	**(236)**	(223)
Exchange differences on foreign plans		**–**	–	**(15)**	13	**(15)**	13
Closing fair value of plan assets		**3,344**	3,438	**884**	739	**4,228**	4,177

1 Represents superannuation contributions required by the Bank to meet its obligations to members of the defined contribution division of Commonwealth Bank Group Super.

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10.2 Retirement benefit obligations (continued)

Economic assumptions

	Commonwealth Bank Group Super		CBA (UK) SBS	
Economic assumptions	30 Jun 20 %	30 Jun 19 %	30 Jun 20 %	30 Jun 19 %
The above calculations were based on the following assumptions:				
Discount rate	**3. 20**	3. 20	**1. 60**	2. 30
Inflation rate	**1. 30**	1. 60	**3. 10**	3. 50
Rate of increases in salary	**2. 10**	2. 40	**4. 10**	4. 50

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	
Expected life expectancies for pensioners	30 Jun 20 Years	30 Jun 19 Years	30 Jun 20 Years	30 Jun 19 Years
Male pensioners currently aged 60	**28. 9**	28. 8	**28. 3**	28. 0
Male pensioners currently aged 65	**23. 9**	23. 9	**23. 5**	23. 2
Female pensioners currently aged 60	**31. 2**	31. 2	**30. 1**	29. 9
Female pensioners currently aged 65	**26. 2**	26. 1	**25. 2**	25. 1

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
Impact of change in assumptions on liabilities	30 Jun 20 %	30 Jun 20 %
0.25% decrease in discount rate	**3. 59**	**4. 70**
0.25% increase in inflation rate	**2. 89**	**4. 40**
0.25% increase to the rate of increases in salary	**0. 45**	**0. 10**
Longevity increase of 1 year	**4. 95**	**4. 20**

Average duration

The average duration of defined benefit obligation at 30 June is as follows:

	Commonwealth Bank Group Super	CBA (UK) SBS
	30 Jun 20 Years	30 Jun 20 Years
Average duration at balance date	**12.3**	**19.0**

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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 35% growth and 65% defensive assets. Inflation and interest rate risks are partly mitigated by investing in long dated fixed interest securities which better match the average duration of liabilities and entering into inflation and interest rate swaps.

The allocation of assets backing the defined benefit portion of the Commonwealth Bank Group Super is as follows:

	Commonwealth Bank Group Super			
	30 Jun 20		30 Jun 19	
Asset allocations	Fair value $M	% of plan asset	Fair value $M	% of plan asset
Cash	197	5. 9	83	2. 4
Equities – Australian [1]	222	6. 7	193	5. 6
Equities – Overseas [1]	458	13. 7	591	17. 2
Bonds – Commonwealth Government [1]	1,167	34. 9	967	28. 1
Bonds – Semi-Government [1]	803	24. 0	956	27. 8
Bonds – Corporate and other [1]	58	1. 7	71	2. 1
Real Estate and Infrastructure [2]	310	9. 3	346	10. 1
Derivatives	(43)	(1. 3)	(33)	(1. 0)
Other [3]	172	5. 1	264	7. 7
Total fair value of plan assets	3,344	100. 0	3,438	100. 0

1 Values based on prices or yields quoted in an active market.
2 This includes listed and unlisted property and infrastructure investments.
3 These are alternative investments which are not included in the traditional asset classes of equities, fixed interest securities, real estate and cash. They include multi-asset investments, liquid alternative investments and hedge funds.

The Australian equities fair value includes $10.3 million of Commonwealth Bank shares. The real estate fair value includes $1.2 million of property assets leased to the Bank. The bonds – corporate and other fair value includes $14.4 million of Commonwealth Bank debt securities.

10.3 Key management personnel

Detailed remuneration disclosures by Key Management Personnel (KMP) are provided in the Remuneration Report of the Directors' Report on pages 78 to 102.

	Group		Bank	
Key management personnel compensation	30 Jun 20 $'000	30 Jun 19 $'000	30 Jun 20 $'000	30 Jun 19 $'000
Short-term benefits [1]	22,612	23,326	21,249	21,413
Post-employment benefits	417	457	370	400
Long-term benefits	506	864	476	836
Share-based payments	13,340	14,715	12,949	14,405
Total	36,875	39,362	35,044	37,054

1 Short-term benefits includes termination benefits of $767,733 (2019: $1,294,969).

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10.3 Key management personnel (continued)

Security holdings

Details of the aggregate security holdings of KMP are set out below.

	Class [1]	Balance 1 July 19 [2]	Acquired/ Granted as remuneration	Previous years awards vested [3]	Net change other [4]	Balance 30 June 20 [5]
Non-Executive Directors	Ordinary [6]	50,361	5,471	–	(10,878)	44,954
	PERLS	2,770	–	–	(150)	2,620
Executives	Ordinary	174,003	–	62,595	(39,440)	197,158
	LTVR rights	527,133	265,917	(18,749)	(128,041)	646,260
	Deferred shares	20,435	49,247	(7,938)	(4,084)	57,660
	Deferred rights	19,930	–	(11,071)	–	8,859
	Sign-on equity	92,355	21,262	(27,417)	–	86,200

1 LTVR rights are subject to performance hurdles. Deferred shares represent the deferred STVR awarded in the 2020 financial year. Deferred rights represent the deferred STVR awarded under Executive General Manager arrangements 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 shares. PERLS include cumulative holdings of all PERLS securities issued by the Group.
2 Due to the changes in KMP during the 2020 financial year, aggregate security holdings balance at 1 July 2019 does not align to the balance disclosed for 30 June 2019.
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 2020 balances represent aggregate shareholdings of all KMP at balance date.
6 From 1 July 2019, Non-Executive Directors are required to hold CBA shares equivalent to 100% of Board Chairman fees for the Chairman and 100% of Board member fees for Non-Executive Directors.

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 20 $'000	30 Jun 19 $'000
Loans	7,942	12,337
Interest charged	308	480

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 2020 was $1,756,739 (2019: $2,254,283).

11. Group Structure

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The Group structure includes the Bank legal entity and its interests in operating and special purpose subsidiaries, joint ventures and associates. These entities were either acquired or established and their classification is driven by the Bank's level of control or influence.

The operating activities of these entities include banking, advice, funds management, specialised customer financing and asset backed financing across multiple jurisdictions.

11.1 Investments in subsidiaries and other entities

Subsidiaries

The key subsidiaries of the Bank are:

Entity name	Entity name
Australia	
(a) Banking	
CBA Covered Bond Trust	Medallion Trust Series 2015-2
Commonwealth Securities Limited	Medallion Trust Series 2016-1
Medallion Trust Series 2008-1R	Medallion Trust Series 2016-2
Medallion Trust Series 2011-1	Medallion Trust Series 2017-1
Medallion Trust Series 2012-1	Medallion Trust Series 2017-1P
Medallion Trust Series 2013-1	Medallion Trust Series 2017-2
Medallion Trust Series 2013-2	Medallion Trust Series 2018-1
Medallion Trust Series 2014-1	Medallion Trust Series 2018-1P
Medallion Trust Series 2014-1P	Medallion Trust Series 2019-1
Medallion Trust Series 2014-2	Residential Mortgage Group Pty Ltd
Medallion Trust Series 2015-1	
(b) Insurance and funds management	
Capital 121 Pty Limited	
Colonial Holding Company Limited	
Commonwealth Insurance Holdings Limited	
Commonwealth Insurance Limited	

All the above subsidiaries are 100% owned and incorporated in Australia.

Entity name	Extent of beneficial interest if not 100%	Incorporated in
New Zealand and other overseas		
Banking		
ASB Bank Limited		New Zealand
ASB Covered Bond Trust		New Zealand
ASB Finance Limited		New Zealand
ASB Holdings Limited		New Zealand
ASB Term Fund		New Zealand
Medallion NZ Series Trust 2009-1R		New Zealand
PT Bank Commonwealth	99%	Indonesia

11.1 Investments in subsidiaries and other entities (continued)

Critical accounting judgements and estimates

Control and voting rights

Determining whether the Group has control is generally straightforward based on ownership of the majority of the voting rights. Holding more than 50% of an entity's voting rights typically indicates that the Group has control over the entity. Significant judgement is involved where either the Group is deemed to control an entity despite holding less than 50% of the voting rights, or where the Group does not control an entity despite holding more than 50% of the voting rights. On 1 November 2019, the Group announced the implementation of a joint cooperation agreement (JCA) which resulted in the full economic interests associated with CommInsure Life being transferred to AIA and AIA obtaining direct management and control of the business (excluding in relation to the Group's 37.5% equity interest in BoCommLife). As a result, CommInsure Life (excluding BoCommLife) was deconsolidated and derecognised on 1 November 2019, even though the Group remains the sole shareholder.

Agent or principal

The Group is deemed to have power over an investment fund when it holds either the responsible entity (RE) and/or the manager function of that fund. Whether that power translates to control depends on whether the Group is deemed to act as an agent or a principal of that fund. Management have determined that the Group acts as a principal and controls a fund when it cannot be easily removed as a manager or RE by investors and when its economic interest in that fund is substantial compared to the economic interest of other investors. In all other cases the Group acts as agent and does not control the fund.

Significant restrictions

On 2 April 2020, the Reserve Bank of New Zealand announced a freeze on the distribution of dividends by banks in New Zealand due to COVID-19. As a result there is currently a restriction on payment of dividends by ASB Bank Limited, the Group's New Zealand subsidiary. There were no other significant restrictions on the ability to transfer cash or other assets, pay dividends or other capital distributions, provide or repay loans and advances between the entities within the Group. There were also no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group resulting from protective rights of non-controlling interests.

Associates and joint ventures

There were no individually significant investments in associates or joint ventures held by the Group as at 30 June 2020 and 30 June 2019. 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 [1]						
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 20 Ownership interest %	30 Jun 19 Ownership interest %	Principal activities	Country of incorporation	Balance date
Bank of Hangzhou Co., Ltd	**1,812**	1,816	**16**	18	Commercial banking	China	31-Dec
Qilu Bank Co., Ltd	**760**	771	**18**	18	Commercial banking	China	31-Dec
Vietnam International Commercial Joint Stock Bank	**294**	242	**20**	20	Commercial banking	Vietnam	31-Dec
Other	**168**	172	**Various**	Various	Various	Various	Various
Carrying amount of investments in associates and joint ventures	**3,034**	3,001					

	Group	
Share of associates' and joint ventures profits [1]	30 Jun 20 $M	30 Jun 19 $M
Operating profits before income tax	**437**	315
Income tax expense	**(55)**	(27)
Operating profits after income tax [2]	**382**	288

1 Excludes information concerning associates and joint ventures classified as held for sale.
2 This amount is recognised net of impairment in the share of profits of associates and joint ventures within Other banking income.

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11.1 Investments in subsidiaries and other entities (continued)

Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated structured entities

The Group has the following contractual arrangements which require it to provide financial support to its structured entities.

Securitisation structured entities

The Group provides liquidity facilities to Medallion, 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 $1,647 million (2019: $877 million). This includes $1,350 million (30 June 2019: $570 million) in relation to the structured entity where the Bank holds all of the issued instruments.

The Group has no contractual obligations to purchase assets from its securitisation structured entities.

Covered bonds trust

The Group provides funding and support facilities to CBA Covered Bond Trust and ASB Covered Bond Trust (the 'Trusts'). The Trusts are bankruptcy remote SPVs that guarantee any debt obligations owing under the US$30 billion CBA Covered Bond Programme and the EUR7 billion ASB Covered Bond Programme, respectively. The funding facilities allow the Trusts to hold sufficient residential mortgage loans to support the guarantees provided to the Covered Bonds. The Group also provides various swaps to the Trusts to hedge any interest rate and currency mismatches. The Group, either directly or via its wholly owned subsidiaries, Securitisation Advisory Services Pty Limited and Securitisation Management Services Limited, provides various services to the Trusts including servicing and monitoring of the residential mortgages.

Structured asset finance structured entities

The Group has no contractual obligation to provide financial support to any of its structured asset finance structured entities.

During the year ended 30 June 2020, the Bank entered into a debt forgiveness arrangement with two wholly owned structured entities for a total of $4 million (2019: $7 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 tables on pages 255-256.

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11.1 Investments in subsidiaries and other entities (continued)

Exposures to unconsolidated structured entities	30 Jun 20 RMBS $M	ABS $M	Other financing $M	Investment funds $M	Total $M
Investment securities	5,752	287	–	–	**6,039**
Loans, bills discounted and other receivables	5,346	1,494	4,857	6,082	**17,779**
Assets held for sale	–	–	–	354	**354**
Total on Balance Sheet exposures	**11,098**	**1,781**	**4,857**	**6,436**	**24,172**
Total notional amounts of off Balance Sheet exposures [1]	1,721	1,331	490	6,191	**9,733**
Total maximum exposure to loss	**12,819**	**3,112**	**5,347**	**12,627**	**33,905**
Total assets of the entities [2]	**56,406**	**8,585**	**15,660**	**161,658**	**242,309**

1 Relates to undrawn facilities.
2 Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of $10,414 million.

Exposures to unconsolidated structured entities	30 Jun 19 RMBS $M	ABS $M	Other financing $M	Investment funds $M	Total $M
Assets at fair value through Income Statement – trading	–	–	–	242	**242**
Available-for-sale investments	7,619	476	–	–	**8,095**
Loans, bills discounted and other receivables	1,977	1,602	5,454	7,367	**16,400**
Assets held for sale	–	–	–	1,108	**1,108**
Total on Balance Sheet exposures	**9,596**	**2,078**	**5,454**	**8,717**	**25,845**
Total notional amounts of off Balance Sheet exposures [1]	2,761	729	539	4,302	**8,331**
Total maximum exposure to loss	**12,357**	**2,807**	**5,993**	**13,019**	**34,176**
Total assets of the entities [2]	**55,508**	**9,523**	**17,542**	**329,237**	**411,810**

1 Relates to undrawn facilities.
2 Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of $9,073 million.

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.

Ranking and credit rating of exposures to unconsolidated structured entities	30 Jun 20 RMBS $M	ABS $M	Other financing $M	Total $M
Senior [1]	12,720	3,112	5,347	**21,179**
Mezzanine [2]	99	–	–	**99**
Total maximum exposure to loss	12,819	3,112	5,347	**21,278**

1 All ABS and RMBS exposures and $2,911 million of other financing exposures are rated investment grade. $2,436 million of other financing exposures are sub-investment grade.
2 All RMBS exposures are rated investment grade.

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11.1 Investments in subsidiaries and other entities (continued)

Ranking and credit rating of exposures to unconsolidated structured entities	30 Jun 19 RMBS $M	ABS $M	Other financing $M	Total $M
Senior [1]	12,269	2,807	5,993	**21,069**
Mezzanine [2]	88	–	–	**88**
Total maximum exposure to loss	12,357	2,807	5,993	**21,157**

1 All ABS and RMBS exposures and $3,901 million of other financing exposures are rated investment grade. $2,092 million of other financing exposures are sub-investment grade.
2 All RMBS exposures are rated investment grade.

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 2020, the Group has not sponsored any unconsolidated structured entities.

ACCOUNTING POLICIES

Subsidiaries
The consolidated financial report comprises the financial report of the Bank and its subsidiaries. Subsidiaries are entities (including structured entities) over which the Bank has control. The Bank controls an entity when it has:
- power over the relevant activities of the entity, for example through voting or other rights;
- exposure to, or rights to, variable returns from the Bank's involvement with the entity; and
- the ability to use its power over the entity to affect the Bank's returns from the entity.

Consolidation of structured entities
The Group exercises judgement at inception and periodically thereafter, to assess whether that structured entity should be consolidated based on the Bank's power over the relevant activities of the entity and the significance of its exposure to variable returns of the structured entity. Such assessments are predominately required for the Group's securitisation program, structured transactions and involvement with investment funds.

Transactions between subsidiaries in the Group are eliminated. Non-controlling interests and the related share of profits in subsidiaries are shown separately in the consolidated Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, and Balance Sheet. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated when control ceases. Subsidiaries are accounted for at cost less accumulated impairments at the Bank level.

Business combinations
Business combinations are accounted for using the acquisition method. At the acquisition date, the cost of the business is the fair value of the purchase consideration, measured as the aggregate of the fair values of assets transferred, equity instruments issued, or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. Goodwill represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of assets acquired and liabilities and contingent liabilities assumed on the date of acquisition. If there is a deficit instead, this discount on acquisition is recognised directly in the consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Investments in associates and joint ventures
Associates and joint ventures are entities over which the Group has significant influence or joint control, but not control. In the consolidated financial report, they are equity accounted. They are initially recorded at cost and adjusted for the Group's share of the associates' and joint ventures' post-acquisition profits or losses and Other Comprehensive Income (OCI), less any dividends received. At the Bank level, they are accounted for at cost less accumulated impairments.

The Group assesses, at each Balance Sheet date, whether there is any objective evidence of impairment. If there is an indication that an investment may be impaired, then the entire carrying amount of the investment in associate or joint venture is tested for impairment by comparing the recoverable amount (higher of value in use and fair value less disposal costs) with the carrying amount. Impairment losses recognised in the Income Statement are subsequently reversed through the Income Statement if there has been a change in the estimates used to determine recoverable amount since the impairment loss was recognised.

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11.2 Related party disclosures

Banking transactions are entered into with related parties in the normal course of business on an arm's length basis. These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. Details of amounts paid or received from related parties, in the form of interest or dividends, are set out in Notes 2.1 and 2.3.

The Bank's aggregate investments in, and loans to controlled entities are disclosed in the table below. Amounts due to controlled entities are disclosed in the Balance Sheet of the Bank.

	Bank [1] 30 Jun 20 $M	30 Jun 19 $M
Shares in controlled entities	**9,212**	10,728
Loans to controlled entities at amortised cost	**56,485**	52,385
Loans to controlled entities at fair value through Income Statement	**1,095**	830
Total shares in and loans to controlled entities	**66,792**	63,943

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

As at 30 June 2020, loans to controlled entities in the table above are presented net of $1 million provisions for impairment (30 June 2019: $21 million).

During the year ended 30 June 2020, the Group received fees on an arm's length basis of $5 million from funds that were included in Assets held for sale (30 June 2019: $61 million).

The Bank provides letters of comfort to other entities within the Group on standard terms. Guarantees include a $175 million (30 June 2019: $175 million) guarantee to AFS license holders in respect of excess compensation claims.

As at 30 June 2020, the Bank entered into reimbursement arrangements, presently totalling $488 million (30 June 2019: $252 million), with its subsidiaries, Avanteos Investments Limited, Financial Wisdom Limited and Commonwealth Financial Planning Limited (for the Pathways business (CFP-Pathways)), to cover potential remediation of ongoing service failures to customers, deceased estates, and inappropriate advice and other matters. This amount includes $464 million for Aligned Advice remediation and $24 million for other wealth remediation programs (30 June 2019: $234 million for Aligned Advice remediation and $18 million for other wealth remediation programs). The Group and the Bank have provided for these costs. As at 30 June 2019, the Bank also had a reimbursement arrangement with Count Financial, totalling $144 million, to cover potential remediation of ongoing service failures to customers, deceased estates, and inappropriate advice and other matters. The sale of Count completed on 1 October 2019, and therefore the reimbursement arrangement ceased at that time, and was replaced with an Indemnity Deed between the Bank, Count Financial and CountPlus with a $200 million limit effective from the time of the sale. This limit was increased to $300 million on 29 July 2020.

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 $209 million as at 30 June 2020 (30 June 2019: $320 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.

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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 a total post-tax gain of $1,617 million (net of transaction and separation costs). This includes a $1,688 million post-tax gain net of transaction and separation costs recognised during the half year ended 31 December 2019, and $71 million post-tax transaction and separation costs recognised during the year ended 30 June 2019.

Count Financial

On 13 June 2019, the Group announced the sale of its 100% interest in Count Financial Limited (Count Financial) to CountPlus Limited (CountPlus) for $2.5 million. The sale completed on 1 October 2019, resulting in a post-tax gain of $19 million (net of transaction and separation costs). This includes a post-tax gain of $52 million (net of transaction and separation costs) recognised during the half year ended 31 December 2019, and post-tax impairment losses of $26 million and post-tax transaction and separation costs of $7 million recognised during the half year ended 30 June 2019. Upon completion, the Group provided an indemnity to CountPlus capped at $200 million, which was increased to $300m on 29 July 2020. Refer to Note 7.1 for further information. As Count Financial did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

PT Commonwealth Life

On 23 October 2018, the Group announced the sale of its 80% interest in its Indonesian life insurance business, PT Commonwealth Life (PTCL), to FWD Group (FWD). The sale of PTCL completed on 4 June 2020, resulting in a total post-tax gain of $109 million (net of transaction costs). As part of the sale, CBA's Indonesian banking subsidiary, PT Bank Commonwealth (PTBC), has entered into a 15 year life insurance distribution partnership with FWD.

Aligned Advice

On 7 August 2019, CBA confirmed it would commence the assisted closure of Financial Wisdom Limited (Financial Wisdom) and allow Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) advisers to transition to a self-licensing arrangement or move to another licensee. The Group ceased providing licensee services through CFP-Pathways in March 2020 and through Financial Wisdom in June 2020. As Financial Wisdom and CFP-Pathways did not constitute a major line of the Group's business, they were not classified as discontinued operations.

Notes to the financial statements

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11.3 Discontinued operations (continued)

Ongoing transactions

Australian Investment Exchange

On 28 April 2020, the Group announced the sale of its subsidiary, Australian Investment Exchange Limited (AUSIEX), to Nomura Research Institute (NRI). AUSIEX trades under the brand name CommSec Advisor Services. On completion, the Group is expected to receive proceeds of approximately $85 million, subject to completion adjustments. The sale is subject to Australian regulatory approvals and other conditions, and is expected to complete in the first half of calendar year 2021. As AUSIEX did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

Colonial First State

On 13 May 2020, the Group entered into an agreement to sell a 55% interest in Colonial First State (CFS) to KKR. On completion, the Group is expected to receive proceeds of approximately $1.7 billion, subject to completion adjustments. The sale is subject to Australian regulatory approvals, and is expected to complete in the first half of calendar year 2021.

Life insurance business in Australia and BoCommLife

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). On 23 May 2018, the Group announced the sale of its 37.5% equity interest in BoCommLife Insurance Company Limited (BoCommLife) to MS&AD Insurance Group Holdings (MS&AD) [1], which is subject to Chinese regulatory approvals. The sale is expected to be completed in the second half of calendar year 2020.

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

The Group and AIA remain fully committed to completing the divestment of CommInsure Life through either a share sale or a statutory asset transfer. In the event of a share sale, the divestment is expected to complete shortly following the completion of the sale of the Group's 37.5% equity interest in BoCommLife. In the event of a statutory asset transfer, the divestment is expected to complete in the first half of calendar year 2021.

The aggregate proceeds, which will be received in instalments under the JCA, are $2,375 million, before completion account adjustments, and includes four partnership milestone payments of $50 million each. The Group recognised a total post-tax loss of $316 million on the deconsolidation and planned divestment of CommInsure Life. This includes a $116 million post-tax loss on deconsolidation, net of transaction and separation costs recognised during the half year ended 31 December 2019. Post-tax transaction and separation costs of $82 million and $118 million were recognised during the years ended 30 June 2019 and 30 June 2018, respectively. As at 30 June 2020, the Group has received total proceeds of $1,608 million, including partnership milestone payments of $100 million.

1 MS&AD Insurance Group Holdings is the ultimate parent company of Mitsui Sumitomo Insurance Co. Ltd.

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11.3 Discontinued operations (continued)

Financial impact of discontinued operations on the Group

The performance and net cash flows of the Group's interests in CFS, CommInsure Life, BoCommLife, PTCL and CFSGAM are set out in the tables below. Comparative periods also include the performance and net cash flows of Sovereign and TymeDigital SA.

	Full year ended [1]		
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M
Net interest income	**6**	6	–
Other banking income	**41**	20	21
Net banking operating income	**47**	26	21
Funds management income	**999**	2,056	2,124
Investment revenue	**141**	391	503
Claims, policyholder liability and commission expense	**(265)**	(670)	(723)
Net funds management operating income	**875**	1,777	1,904
Premiums from insurance contracts	**459**	1,256	2,066
Investment revenue	**81**	539	367
Claims, policyholder liability and commission expense from insurance contracts	**(451)**	(1,503)	(1,702)
Net insurance operating income	**89**	292	731
Total net operating income before operating expenses	**1,011**	2,095	2,656
Operating expenses	**(774)**	(1,383)	(1,452)
Net profit before income tax	**237**	712	1,204
Income tax expense	**(67)**	(164)	(313)
Policyholder tax	**(14)**	(50)	(58)
Net profit after income tax and before transaction and separation costs	**156**	498	833
Gains/(losses) on disposals of businesses net of transaction and separation costs [2]	**2,022**	(9)	(227)
Non-controlling interests	**(3)**	(7)	(6)
Net profit after income tax from discontinued operations attributable to equity holders of the Bank	**2,175**	482	600

1 Comparative information has been restated to conform to presentation in the current year.
2 This includes post-completion and tax adjustments, interest earned on transaction proceeds, and additional transaction and separation costs.

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11.3 Discontinued operations (continued)

Earnings per share for profit from discontinued operations attributable to equity holders of the parent:

	Full year ended [1]		
	30 Jun 20	30 Jun 19	30 Jun 18
	Cents per Share		
Earnings per share from discontinued operations:			
Basic	**123. 0**	27. 3	34. 3
Diluted	**114. 7**	25. 4	32. 2

1 Comparative information has been restated to reflect the reclassification of CFS as a discontinued operation.

Cash flow statement

	Full year ended [1, 2]		
	30 Jun 20 $M	30 Jun 19 $M	30 Jun 18 $M
Net cash used in operating activities	**(553)**	(224)	(181)
Net cash from investing activities	**942**	841	1,019
Net cash used in financing activities	**(236)**	(519)	(924)
Net cash inflows/(outflows) from discontinued operations	**153**	98	(86)

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 disposals.

Balance Sheet

The Balance Sheet of the Group's interest in CFS, BoCommLife and Ausiex are set out in the table below. Comparative period includes assets and liabilities of CFSGAM, CommInsure Life, PTCL, Count Financial and the Group's interest in BoCommLife. Count Financial met the held for sale criteria as at 30 June 2019 but has not been reclassified as a discontinued operation.

	As at	
Assets held for sale	30 Jun 20 $M	30 Jun 19 $M
Cash and liquid assets	**44**	354
Assets at fair value through Income Statement	**260**	10,417
Investment securities at fair value through Other Comprehensive Income	**–**	260
Intangible assets	**705**	2,049
Property, plant and equipment	**1**	1,510
Investment in associates and joint ventures	**403**	607
Deferred tax assets	**41**	145
Other assets	**313**	1,207
Total assets	**1,767**	16,549
Liabilities held for sale		
Insurance policy liabilities	**–**	10,854
Deferred tax liabilities	**–**	404
Deposits and other public borrowings	**–**	1,268
Managed funds units on issue	**11**	2,197
Other liabilities	**583**	1,073
Total liabilities	**594**	15,796

As at 30 June 2020, the Foreign currency translation reserve relating to discontinued operations was a $2 million gain (30 June 2019: $50 million gain); the Investment securities revaluation reserve relating to discontinued operations was a $35 million loss (30 June 2019: $27 million loss).

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 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, in relation to litigation, investigations and reviews. 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 20	30 Jun 19	30 Jun 20	30 Jun 19
Credit risk related instruments	$M	$M	$M	$M
Guarantees	**6,448**	6,506	**5,034**	5,387
Documentary letters of credit	**272**	326	**210**	322
Performance related contingents	**5,071**	4,722	**2,535**	2,362
Commitments to provide credit	**168,537**	162,202	**159,761**	154,408
Other commitments	**2,015**	2,050	**2,005**	2,040
Total credit risk related instruments	**182,343**	175,806	**169,545**	164,519

	Bank			
	Face value		Credit equivalent	
	30 Jun 20	30 Jun 19	30 Jun 20	30 Jun 19
Credit risk related instruments	$M	$M	$M	$M
Guarantees	**5,974**	6,026	**4,560**	4,907
Documentary letters of credit	**214**	249	**154**	248
Performance related contingents	**5,071**	4,722	**2,535**	2,362
Commitments to provide credit	**152,725**	146,483	**145,247**	140,035
Other commitments	**1,940**	1,973	**1,929**	1,963
Total credit risk related instruments	**165,924**	159,453	**154,425**	149,515

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 2020 are provided in Note 3.2.

12.2 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 20	30 Jun 19	30 Jun 18	30 Jun 20	30 Jun 19
	$M	$M	$M	$M	$M
Net profit after income tax [1]	**9,637**	8,590	9,348	**10,168**	7,783
Decrease/(increase) in interest receivable	**523**	(36)	(62)	**548**	537
(Decrease)/increase in interest payable	**(984)**	(69)	112	**(872)**	(104)
Net (increase)/decrease in assets at fair value through Income Statement (excluding life insurance)	**(13,687)**	(4,935)	1,536	**(13,551)**	(3,089)
Net (gain)/loss on sale of controlled entities and associates	**(2,092)**	61	184	**(24)**	236
Net movement in derivative assets/liabilities	**6,672**	6,606	3,381	**8,453**	8,873
Net (gain)/loss on sale of property, plant and equipment	**(32)**	9	17	**(11)**	11
Equity accounting (profit)/loss	**(142)**	(231)	(287)	**(49)**	63
Loan impairment expense	**2,518**	1,201	1,079	**2,155**	1,058
Depreciation and amortisation (including asset write downs)	**1,861**	1,011	968	**1,748**	912
(Decrease)/increase in liabilities at fair value through Income Statement (excluding life insurance)	**(4,123)**	(603)	(258)	**(4,072)**	(1,013)
Increase in other provisions	**522**	783	156	**359**	722
Increase/(decrease) in income taxes payable	**679**	(1,082)	(461)	**202**	(1,573)
Increase/(decrease) in deferred tax liabilities	**374**	(457)	400	**30**	(27)
(Increase)/decrease in deferred tax assets	**(280)**	67	(538)	**(398)**	(140)
Decrease/(Increase) in accrued fees/reimbursements receivable	**276**	(111)	20	**42**	(53)
(Decrease)/increase in accrued fees and other items payable	**(711)**	(340)	631	**(254)**	(775)
Decrease in life insurance contract policy liabilities	**(905)**	(787)	(836)	**–**	–
Cash flow hedge ineffectiveness	**9**	(4)	(4)	**11**	(6)
Loss/(gain) on changes in fair value of hedged items	**14**	558	(765)	**82**	(624)
Dividend received – controlled entities and associates	**–**	–	–	**(4,809)**	(1,473)
Changes in operating assets and liabilities arising from cash flow movements	**36,630**	6,577	(15,461)	**31,179**	7,157
Other	**2,101**	1,278	1,949	**2,143**	635
Net cash provided by operating activities	**38,860**	18,086	1,109	**33,080**	19,110

1 Includes non-controlling interest.

(b) Reconciliation of cash

For the purposes of the Statements of Cash Flows, cash includes cash and money at short call.

	Group			Bank	
	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 20	30 Jun 19
	$M	$M	$M	$M	$M
Notes, coins and cash at banks	**27,350**	16,930	17,110	**24,195**	15,633
Other short-term liquid assets	**1**	80	5,895	**(185)**	(99)
Cash and cash equivalents at end of year	**27,351**	17,010	23,005	**24,010**	15,534

(c) Non-cash financing and investing activities

	Group		
	30 Jun 20	30 Jun 19	30 Jun 18
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan	**–**	748	2,105

(d) Disposal of controlled entities

	Group		
	30 Jun 20	30 Jun 19	30 Jun 18
	$M	$M	$M
Net assets	**3,686**	1,128	–
Cash consideration received	**5,946**	1,304	–
Cash and cash equivalents held in disposed entities	**935**	45	–

Notes to the financial statements
For the year ended 30 June 2020

12.3 Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group and the Bank, and its network firms:

	Group [1]		Bank [1]	
	30 Jun 20 $'000	30 Jun 19 $'000	30 Jun 20 $'000	30 Jun 19 $'000
Audit and review services				
Audit and review of financial statements – Group	**20,499**	17,089	**20,454**	12,294
Audit and review of financial statements – controlled entities	**4,182**	6,782	**2,029**	1,768
Total remuneration for audit and review services	**24,681**	23,871	**22,483**	14,062
Other statutory assurance services	**3,323**	2,771	**3,138**	2,252
Other assurance services	**6,530**	8,056	**4,924**	4,330
Total remuneration for assurance services	**9,853**	10,827	**8,062**	6,582
Total remuneration for audit, review and assurance services	**34,534**	34,698	**30,545**	20,644
Other non-audit services				
Taxation advice and tax compliance services	**424**	1,395	**167**	494
Other services	**5,351**	7,915	**5,103**	7,318
Total remuneration for other non-audit services	**5,775**	9,310	**5,270**	7,812
Total remuneration for audit, review, assurance and other services [2]	**40,309**	44,008	**35,815**	28,456

1 Comparative information has been restated to conform to presentation in the current year.
2 An additional amount of $8,132,121 (2019: $10,497,464) was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the financial statements. Of this amount, $7,067,650 (2019: $7,521,734) relates to audit, review and assurance services.

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence. All such services were approved by the Audit Committee in accordance with pre-approved policies and procedures.

Other statutory assurance services relate to engagements required under prudential standards and other legislative or regulatory requirements. Other assurance services principally include assurance and attestation relating to sustainability reporting and comfort letters over financing programmes as well as reviews of internal control systems.

Taxation services include assistance with tax software configuration as well as advice regarding tax returns and submissions, and Australia/foreign tax legislation.

Other services include benchmarking and process reviews on the Bank's enterprise-wide risk assessment process and response to findings from the Royal Commission, and IT security assessments.

Notes to the financial statements
For the year ended 30 June 2020

12.4 Future accounting developments

Adoption of new accounting standards and future accounting developments

Interest rate benchmark reform

Background

Interbank Offered Rates (IBORs), such as the London Interbank Offered Rate (LIBOR), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments. The Financial Stability Board's (FSB) Official Sector Steering Group (OSSG) coordinates international efforts on benchmark reform and the transition from LIBOR, whose future cannot be guaranteed past 1 January 2022. Market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates (RFRs), which are gradually being adopted.

Existing LIBOR-linked contracts for derivatives, loans, investment and trading securities, debt issues and deposits and other public borrowings that mature beyond the end of 2021 are generally expected to transition to RFRs. Industry working groups are currently working with authorities and consulting with market participants to develop market practices that can be used to transition contracts. However, there are fundamental differences between LIBORs and RFRs. RFRs are overnight rates, while LIBORs are available in multiple tenors. Additionally, LIBORs incorporate a bank credit risk premium while RFRs do not. As a result of these differences, both term and spread adjustments to the applicable fall-back RFRs are required to ensure that contracts referencing LIBOR will continue to function as closely as possible to the original agreement, once the reference rate is changed.

Accounting amendments and the impact on financial reporting

In response to the uncertainty about the long-term viability of these benchmark rates, and LIBOR in particular, the IASB announced in 2018 that it would establish a project to consider the financial reporting implications of the reform. The transition from LIBOR is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, loan modifications, as well as fair value methodologies and disclosures.

In October 2019, the AASB issued AASB 2019–3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*, which amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interest rate benchmark reform. These amendments address the accounting effects of uncertainty in the period leading up to the reform and are effective for annual periods beginning on or after 1 January 2020. The Group elected to early adopt the amendments, which did not have a significant impact on the Group.

In April 2020, the IASB published an exposure draft on proposed amendments to various accounting standards, including IFRS 9 *Financial Instruments*, to address the accounting issues that will arise once the existing rate is replaced with alternative RFRs. The proposed amendments contain guidance on a number of matters including:

- the accounting for the modification of financial assets and financial liabilities required for transition;
- hedge accounting post-transition;
- additional quantitative and qualitative disclosure requirements.

The final amendments are expected to be published during the second half of calendar year 2020. The Group is monitoring these developments and continues to assess the expected impact.

Note 5.4 provides further information about hedging relationships which are impacted by IBOR reform.

IBOR reform program

In October 2018, the Group formed the Interest Rate Benchmark Reform Program (the Program). The Program includes a formal governance structure to ensure clear accountability for all decisions, and incorporates the requisite risk, treasury, finance, legal, business, and support functions. The Program will ensure that customer outcomes are appropriate and will seek to minimise any disruption to business, and mitigate operational and conduct risks. The Group expects that transition will require the implementation of changes to systems, processes, and valuation models, as well as the management of tax and accounting outcomes. The Group will continue to monitor the impact on its capital position but expects the impact to be limited.

Future accounting developments

AASB 17 *Insurance Contracts*, amends the accounting for insurance contracts and will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 will apply to the Group from 1 July 2023. The impact of AASB 17 is dependent on the Group's composition at the time of adoption. The Group is still assessing the impact of AASB 17.

AASB 3 *Business Combinations* has been amended to assist entities in determining whether a transaction in which activities and assets are acquired should be accounted for as a business combination or as an asset acquisition. The amendments will be applicable to business combinations for which the acquisition date is on or after 1 July 2020.

AASB 101 *Presentation of financial statements* has been amended to clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period, and such right has substance. The amendments also clarify that settlement of a liability refers to a transfer to the counterparty that results in the extinguishment of the liability. The amendments are effective for the Group from 1 July 2022.

Other amendments that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

Notes to the financial statements
For the year ended 30 June 2020

12.5 Accounting policies applicable for comparative periods

The Group adopted AASB 16 *Leases* on 1 July 2019, replacing AASB 117 *Leases*. The Group's current accounting policies for the recognition and measurement of lessee accounting are detailed in Notes 2.1, 2.4, 6.1, 7.1 and 7.2. Lessor accounting remains largely unchanged from the previous standard. A summary of accounting policies that applied to lessee accounting under AASB 117 *Leases* for the comparative periods is provided below.

Operating leases

Operating leases are those where substantially all of the risks and rewards of the lease asset remain with the lessor. Operating lease rental is recognised on a straight-line basis over the lease term within Operating expenses in the Income Statement.

Finance leases

Finance leases are those where substantially all of the risks and rewards of the lease asset have been transferred to the lessee. A lease asset and a finance lease liability is recognised on the Balance Sheet, representing the minimum lease payments discounted at the rate of interest implicit in the lease. Finance lease expense reflects a constant periodic return and is recognised within Interest expense in the Income Statement.

The Group does not enter into material finance lease transactions as a lessee.

The following lease commitments information was included in the Financial Report for the year ended 30 June 2019 and does not reflect the adoption of AASB 16 *Leases* on 1 July 2019.

	Group 30 Jun 19 $M	Bank 30 Jun 19 $M
Lease commitments – property, plant and equipment		
Due within one year	673	626
Due after one year but not later than five years	1,805	1,668
Due after five years	1,600	1,466
Total lease commitments – property, plant and equipment	4,078	3,760

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.

Notes to the financial statements
For the year ended 30 June 2020

12.6 Subsequent events

Dividend Reinvestment Plan (DRP)

The Bank expects the DRP for the final dividend for the year ended 30 June 2020 will be satisfied by the issuance of shares of approximately $260 million.

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 30 June 2020, as set out on pages 106 to 267, 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 2020 and its performance for the year ended 30 June 2020;

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 2020.

This declaration is made in accordance with a resolution of the Directors.

Catherine Livingstone AO
Chairman
12 August 2020

Matt Comyn
Managing Director and Chief Executive Officer
12 August 2020

Independent auditor's report

To the members of the Commonwealth Bank of Australia

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of the Commonwealth Bank of Australia (the Bank) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Bank's and Group's financial positions as at 30 June 2020 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 2020;
- the Bank and the Group income statements for the year then ended;
- the Bank and the Group statements of comprehensive income for the year then ended;
- the Bank and the Group statements of changes in equity for the year then ended;
- the Bank and the Group statements of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies; and
- the Directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of this report.

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

Independence

We are independent of the Bank and the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

Bank and Group audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Bank and the Group, their accounting processes and controls and the industries in which they operate. 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 5 business segments being Retail Banking Services (RBS), Business and Private Banking (B&PB), Institutional Banking and Markets (IB&M), New Zealand (NZ), and International Financial Services and Corporate Centre (IFS and Corporate Centre).

Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

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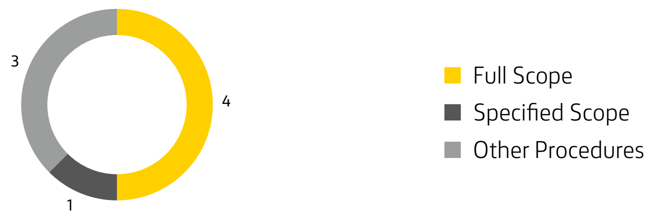
Independent auditor's report

In designing the scope of our audit, we considered the structure of the Bank and the Group and further identified those entities or business activities within each business segment for which the Bank and the Group 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 and/or audit procedures at a Group level, including over the consolidation of the Group's components and the preparation of the financial report (other procedures).

Number of Components by Scope



Set out in the following diagram is a high-level overview of how our audit scope aligns to the identified components and our audit report.

Scoping and Performance of Procedures

Component	Audit Scope
RBS	Full scope
B&PB	Full scope
IB&M	Full scope
NZ – ASB[1]	Full scope
WM – Colonial First State	Specified scope
WM – Global Asset Management[2]	Other procedures
WM – Colonial Mutual Life Assurance[2]	Other procedures
IFS – Continuing operations	Other procedures

Reporting

Key Audit Matters	Audit opinion
Areas in our professional judgement which were of most significance in our audit	*Opinion on the financial report as a whole*

1 Full scope audit was also performed for the purposes of standalone legal entity statutory financial report for this entity.
2 These entities were disposed of during the year ended 30 June 2020.

Bank and Group materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. Misstatements are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users of the financial report in which those misstatements occur.

Independent auditor's report

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank and Group materiality for the financial report, which we have set out in the table below:

Overall Bank and Group materiality	$490 million (2019: $510 million)
How we determined it	Approximately 5% of 2020 financial year profit before tax (PBT) for the Group (2019: approximately 5% of 2019 financial year PBT for the Bank). As the Group has a lower PBT in the year ended 30 June 2020, we calculated materiality based on the Group PBT and applied this during the audit of both the Bank and the Group.
Rationale for the materiality benchmark applied	We chose net profit before income tax because, in our view, it is the metric against which the performance of the Bank and the Group is most commonly measured and is a generally accepted benchmark in the financial services industry. We performed our audit over both the Bank and the Group financial information concurrently. We apply the lower of materiality calculated based on the Bank or the Group PBT in order to avoid duplication of work. We utilised a 5% threshold based on our professional judgement, noting that it is within the range of commonly acceptable thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current year. We describe each key audit matter and include a summary of the principal audit procedures we performed to address those matters in the table below.

The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters and any commentary on the outcomes of a particular audit procedure is made in that context. We have 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.

Key audit matter	How our audit addressed the key audit matter
Loan impairment provisions *(Relevant components: RBS, B&PB, IB&M, NZ – ASB)*	
Insofar as it applies to loan impairment provisions, AASB 9 requires an expected credit loss (ECL) impairment model which takes into account forward-looking information reflecting potential future economic events. The Bank and the Group utilise models which are reliant on internal and external data as well as a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk. We considered this a key audit matter due to the inherent estimation uncertainty in this area, namely due to the subjectivity in judgements made by the Bank and the Group in determining when to recognise impairment provisions including: • Models used to calculate ECL (ECL models) are inherently complex and judgement is applied in determining the appropriate construct of each model; and • A number of assumptions are made by the Bank and Group concerning the values of inputs to the ECL models and how inputs correlate with one another.	We developed an understanding of the controls relevant to our audit over the following areas and assessed whether they were appropriately designed and were operating effectively throughout the year on a sample basis: • Review and approval of forward-looking information used in ECL models; • Reliability and accuracy of critical data elements used in ECL models; and • Review and approval of ECL model adjustments and the ECL loan impairment provisions by the Bank's and the Group's Loan Loss Provisioning Committee (LLPC). In addition to controls testing, we along with PwC credit modelling experts and PwC economics experts, performed the following audit procedures, amongst others, on a sample basis: • Assessed the ECL model methodology applied against accepted theory and the results of model monitoring performed, including back-testing of actual losses against predicted losses. This included inspection of key model components and reperformance of certain tests within the Bank's and the Group's model monitoring;

Independent auditor's report

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Key audit matter	How our audit addressed the key audit matter

Loan impairment provisions *(Relevant components: RBS, B&PB, IB&M, NZ – ASB)*

Further, the rapidly developing COVID-19 pandemic has meant assumptions regarding economic outlook and the consequent impact on the Bank and Group's customers is uncertain, increasing the degree of judgement required to be exercised in calculating ECL.

Specifically, this includes judgements regarding the impact of COVID-19 on forward looking information, including variables used in macroeconomic scenarios and their associated weightings.

Provisions for impairment of loans that exceed specific monetary thresholds are individually assessed by the Bank and the Group. These provisions are established based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Bank and the Group in respect of those loans under multiple weighted scenario outcomes. During the financial year ended 30 June 2020, the majority of the Bank's and the Group's individually assessed provisions for specific lending assets related primarily to business and corporate loans.

Relevant references in the financial report

Refer note 1.1 and 3.2 for further information.

- Considered the Bank's and the Group's key judgements including the reasonableness of forward-looking information incorporated into the ECL models by assessing the forecasts, assumptions and probability weightings with a particular focus on the impact of COVID-19;
- Agreed a sample of data used as inputs to the ECL models to relevant source documentation;
- Compared the modelled outputs to our own calculated expectations as determined by applying the model methodology to the underlying data;
- Assessed the appropriateness of model adjustments identified by the Bank and the Group against internal and external supporting information; and
- Considered the impacts of events occurring subsequent to balance date on the ECL.

For a selection of individually assessed provisions for specific lending assets, we performed the following audit procedures, amongst others:

- Evaluated cashflow forecasts supporting the ECL provision by assessing key judgements (in particular the amount and timing of recoveries and the probability of different scenarios) made by the Bank and the Group in the context of the borrowers' circumstances based on the detailed loan and counterparty information known by the Bank and the Group; and
- Compared critical inputs in the Bank's and the Group's estimates (such as valuation of collateral held) to external information where available.

We also assessed the appropriateness of the Group's disclosures against the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter

Judgemental valuation of financial instruments *(Relevant components: RBS, IB&M, NZ – ASB)*

At 30 June 2020, the value of Level 2 financial instruments (i.e. where key inputs to the valuation are based on observable prices in the market) held by the Group at fair value is $62,288m assets and $32,030m liabilities. The value of Level 2 fair value financial instruments held by the Bank is $59,541m assets and $36,553m liabilities.

The Level 2 financial instruments held at fair value include:

- Derivative assets and liabilities;
- Investment securities at fair value though other comprehensive income;
- Trading assets and liabilities at fair value through the Income Statement; and
- Other assets at fair value through the Income Statement.

In relation to the judgemental valuation of financial instruments, we developed an understanding of the controls relevant to our audit over the following areas and assessed whether they were appropriately designed and were operating effectively throughout the year on a sample basis:

- Assessment of valuation model at inception and periodically;
- Reliability and accuracy of key market data used in the Bank's and the Group's valuation model;
- Review and approval of significant assumptions by the Bank's and the Group's Valuation Committee; and
- Evaluation of key position and settlement reconciliations.

Independent auditor's report

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Key audit matter	How our audit addressed the key audit matter

Judgemental valuation of financial instruments *(Relevant components: RBS, IB&M, NZ – ASB)*

We considered Level 2 financial instruments to be a key audit matter due to their financial significance to the Bank and the Group. In addition, Level 2 financial instruments require judgement in relation to the application of appropriate models, assumptions and inputs including fair value adjustments.

The Bank and the Group also hold $565m of assets classified as 'Level 3' which includes a material asset in an investment security measured at fair value through other comprehensive income. Level 3 is where key inputs to the valuation require additional judgement as observable inputs are not available in the market due to market illiquidity or the complexity of the product. We considered this to be a key audit matter because of the additional judgement (discussed above) involved in determining its value.

Relevant references in the financial report

Refer notes 1.1, 4.2, 5.3, 5.4, 5.5 and 9.5 for further information.

Together with PwC valuation experts, we compared the Bank's and the Group's calculations of fair value to our own calculations across a sample of financial instruments. This involved sourcing inputs from market data providers 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's and the Group's calculations of fair value by investigating the root cause for material variances.

In relation to the judgemental valuation of the Level 3 financial asset, with the assistance of PwC valuation experts, we performed the following audit procedures, amongst others:

- Assessed the reasonableness of the methodology and key inputs in the Bank's and the Group's estimates used to calculate the fair value against market practices;
- Further compared the key inputs to external information where available; and
- Recalculated the fair value to assess the accuracy of the model output.

Key audit matter	How our audit addressed the key audit matter

Provisions for customer remediation and project and other costs associated with regulatory compliance matters and ongoing legal proceedings *(Relevant components: All)*

The Bank and the Group have assessed the need to raise provisions in relation to customer remediation payments and associated project costs, project costs related to ongoing legal proceedings, and project costs associated with compliance matters and investigations and reviews from its regulators including APRA's Enforceable Undertaking, amongst others.

We considered this a key audit matter due to the subjective judgements made by the Bank and the Group in determining:

- The probability of future uncertain outcomes based on available information;
- The estimate of customer remediation payment amounts resulting from remediation programs whereby the Bank and the Group extrapolate the results of their sample testing; and
- The project costs associated with the remediation activities, and regulatory proceedings, investigations and reviews.

Relevant references in the financial report

Refer note 7.1 for further information.

We developed an understanding of the Bank's and the Group's processes for identifying and assessing the impact of the Bank's and the Group's regulatory and customer-related remediation obligations.

We read the minutes of the Bank's main governance meetings (i.e. Audit Committee, Risk Committee and Board of Directors meetings), attended the Bank's Audit Committee and Risk Committee meetings; attended some of the underlying remediation committee meetings; and considered correspondence with relevant regulatory bodies.

We discussed ongoing legal matters with the directors and management. We obtained written representations from the Group Chief Executive Officer, Chief Financial Officer and Group General Counsel and obtained access to relevant documents in order to develop our understanding of the matters.

For those matters which resulted in a material provision at year end, we developed an understanding of and evaluated the reasonableness of the key assumptions used to estimate those provisions. This included consideration of comparable remediation programs; results from sample testing performed up until the date of signing the audit report; the subsequent adjustments made to the output of the sample test results; and the status of each remediation program and costs incurred to date.

Where the Bank and the Group determined that they were unable to reliably estimate the possible financial impact of a remediation activity or investigation, we considered relevant information available in relation to the activities and investigations to assess the appropriateness of this conclusion. We also assessed the adequacy and appropriateness of related disclosures against the requirements of Australian Accounting Standards.

Independent auditor's report

Key audit matter	How our audit addressed the key audit matter

Business disposals *(Relevant components: WM – Global Asset Management, WM – Colonial Mutual Life Assurance, WM – Colonial First State)*

During the year, the Bank and Group announced completion of its divestments in the Colonial First State Global Asset Management (CFSGAM) business, and the Colonial Mutual Life Assurance Society (CMLA) business. The divestment in CMLA occurred through the Bank and Group entering into a Joint Cooperation Agreement (JCA) with AIA Group Limited (AIA). Both businesses were part of the Wealth Management operating segment. The assets and liabilities associated with these businesses have been derecognised as at the financial report date.

The accounting for these disposals is considered to be a key audit matter due to:

- CFSGAM: the financial significance of the gain on disposal (including tax) of the business to the Bank and Group; and
- CMLA: the judgement required in determining whether the JCA meets the criteria to deconsolidate and derecognise the Bank's and the Group's interest in CMLA in the absence of regulatory approval for the sale of the investment in BoCommLife in line with Australian Accounting Standards.

The Bank and the Group also announced during the year an agreement to sell a 55% equity stake in Colonial First State (CFS) to KKR. CFS has been classified as held for sale and a discontinued operation as at the financial report date.

We considered this to be a key audit matter due to the judgements made by the Bank and the Group in:

- estimating the transaction and separation costs to complete the divestment; and
- allocating goodwill to disposal groups in accordance with the requirements of Australian Accounting Standards.

Relevant references in the financial report

Refer notes 1.1, 2.6, 2.7 and 11.3 for further information.

We performed the following audit procedures, amongst others, in relation to the disposal of CFSGAM and CMLA:

- Inspected the underlying sale agreements, including the JCA with AIA to develop an understanding of the terms and conditions related to the divestments;
- Assessed the appropriateness of the derecognition and deconsolidation of each divested business on the financial report to determine whether they were performed in accordance with Australian Accounting Standards;
- Reperformed the Bank's and the Group's calculation of the gain or loss on the sale of each divestment;
- Together with PwC tax experts, we evaluated the tax calculations related to the gain or loss tax from the divestments against the requirements of the relevant tax legislation; and
- Assessed the disclosure in the financial report relating to the divestments against the requirements of Australian Accounting Standards.

In relation to the sale of CFS, we performed the following audit procedures, amongst others:

- Assessed whether the requirements of Australian Accounting Standards were met regarding classification and presentation of the sale as held for sale and discontinued operations;
- Compared the key inputs used to estimate the transaction and separation costs to complete the divestment from the Bank and the Group to similar transactions undertaken by the Bank and the Group;
- Assessed, on a sample basis, whether the carrying values of disposal groups (including goodwill), were equal to their estimated fair value less cost to sell; and
- Assessed the adequacy and appropriateness of related disclosures against the requirements of Australian Accounting Standards.

Independent auditor's report

Key audit matter	How our audit addressed the key audit matter

Operation of financial reporting Information Technology (IT) systems and controls *(Relevant components: All)*

We considered this a key audit matter because the Bank's and the Group's operations and financial reporting processes are heavily dependent on IT systems for the processing and recording of a significant volume of transactions.

In particular, in common with all banks, access rights to technology are important because they are intended to ensure that changes to applications and data are appropriately authorised. Ensuring 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.

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.

For material financial statement balances we developed an understanding of the business processes, key IT systems used to generate and support those balances and associated IT application controls and IT dependencies in manual controls. Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. This involved assessing:

- The technology control environment: the governance processes and controls used to monitor and enforce control consciousness throughout the Group's technology teams;
- Change management: the processes and controls used to develop, test and 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 associated IT application controls and IT dependencies in manual controls that were key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls.

Where we noted design or operating effectiveness matters relating to IT systems and applications controls relevant to our audit, we performed alternative or additional audit procedures.

Independent auditor's report

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 2020 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 47 to 52 of the annual report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Bank are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Bank and the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Our opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 78 to 102 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Commonwealth Bank of Australia for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Bank are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn

Matthew Lunn
Partner
Sydney
12 August 2020

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Security holder information

Top 20 holders of fully paid ordinary shares as at 20 July 2020

Rank	Name of holder	Number of shares	%
1	HSBC Custody Nominees	398,411,636	22.51%
2	J P Morgan Nominees Australia Limited	242,160,962	13.68%
3	Citicorp Nominees Pty Limited	99,817,390	5.64%
4	BNP Paribas Noms Pty Ltd	50,441,624	2.85%
5	National Nominees Limited	48,817,928	2.76%
6	Australian Foundation Investment	7,900,000	0.45%
7	Bond Street Custodians Limited	7,640,244	0.43%
8	Netwealth Investments Limited	4,672,163	0.26%
9	Milton Corporation Limited	3,140,470	0.18%
10	Argo Investments Limited	3,103,731	0.18%
11	Australian Executor Trustees Limited	3,040,780	0.17%
12	Navigator Australia	2,881,118	0.16%
13	Nulis Nominees (Australia)	1,872,713	0.11%
14	Mr Barry Martin Lambert	1,643,613	0.09%
15	McCusker Holdings Pty Ltd	1,370,000	0.08%
16	Invia Custodian Pty Limited	1,275,216	0.07%
17	Joy Wilma Lambert	1,068,250	0.06%
18	BNP Paribas Noms (NZ) Ltd <DRP>	1,067,687	0.06%
19	CS Third Nominees Pty Limited	1,050,513	0.06%
20	BKI Investment Company Limited	1,030,023	0.06%

The top 20 shareholders hold 882,406,061 shares which is equal to 49.85% of the total shares on issue.

Substantial shareholding

The following organisations have disclosed a substantial shareholding notice to ASX. As at 20 July 2020, the Bank has received no further update in relation to these substantial shareholdings.

Name	Number of shares	Percentage of voting power
BlackRock Group [1]	106,300,321	6
The Vanguard Group, Inc. [2]	88,022,378	5

1 Substantial shareholding as at 6 March 2020, as per notice lodged on 10 March 2020.
2 Substantial shareholding as at 20 July 2018, as per notice lodged on 25 July 2018.

Stock exchange listing

The shares of the Commonwealth Bank of Australia (Bank) are listed on the Australian Securities Exchange (ASX) under the trade symbol of CBA. The Bank is not currently in the market conducting an on market buy-back of its shares.

Range of shares (fully paid ordinary shares and employee shares) as at 20 July 2020

Range	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued capital	Number of rights holders [1]
1 – 1,000	669,797	75.74	187,489,360	10.59	148
1,001 – 5,000	186,155	21.05	388,582,359	21.95	68
5,001 – 10,000	19,881	2.25	135,125,306	7.63	9
10,001 – 100,000	8,352	0.94	156,741,683	8.86	37
100,001 and over	161	0.02	902,300,799	50.97	0
Total	884,346	100.00	1,770,239,507	100. 00	262
Less than marketable parcel of $500	14,728	1. 67	43,557	0. 00	–

1 The total number of rights on issue is 965,095 rights which carry no entitlement to vote.

Voting rights

Under the Bank's Constitution, shareholders entitled to vote at a general meeting may vote in person, directly or by proxy, attorney or representative, depending on whether the shareholder is an individual or a company.

Subject to any rights or restrictions attaching to shares, each ordinary shareholder present at a general meeting has:

- On a show of hands - one vote; and
- On a poll - one vote for each fully paid share held. If shares are not fully paid, on a poll the number of votes attaching to the shares is pro-rated accordingly.

Additional information (continued)

Security holder information (continued)

If a person at a general meeting represents personally or by proxy, attorney or official representative more than one shareholder, on a show of hands the person is entitled to one vote only even though he or she represents more than one shareholder.

Where a shareholder appoints two proxies or attorneys to vote at the same general meeting:

- If the appointment does not specify the proportion or number of the shareholder's votes each proxy or attorney may exercise, each proxy or attorney may exercise half the shareholder's votes;
- On a show of hands, neither proxy or attorney may vote if more than one proxy or attorney attends; and
- On a poll, each proxy or attorney may only exercise votes in respect of those shares or voting rights the proxy or attorney represents.

Top 20 holders of CommBank PERLS VII Capital Notes ("PERLS VII") as at 20 July 2020

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	3,010,104	10.03%
2	BNP Paribas Noms Pty Ltd	1,195,841	3.99%
3	J P Morgan Nominees Australia Limited	844,602	2.82%
4	Netwealth Investments Limited	841,942	2.81%
5	Australian Executor Trustees Limited	382,295	1.27%
6	National Nominees Limited	277,276	0.92%
7	Bond Street Custodians Limited	262,224	0.87%
8	Navigator Australia	234,077	0.78%
9	Citicorp Nominees Pty Limited	204,881	0.68%
10	Nulis Nominees (Australia)	198,651	0.66%
11	Berne No 132 Nominees Pty Ltd	167,386	0.56%
12	Mutual Trust Pty Ltd	164,988	0.55%
13	Invia Custodian Pty Limited	92,249	0.31%
14	Marrosan Investments Pty Ltd	84,286	0.28%
15	Tsco Pty Ltd	80,000	0.27%
16	Alwood Pty Ltd	79,730	0.27%
17	Seymour Group Pty Ltd	73,700	0.25%
18	Willimbury Pty Ltd	70,673	0.24%
19	Limeburner Investments Pty Ltd	67,245	0.22%
20	Eastcote Pty Limited	59,300	0.20%

The top 20 PERLS VII security holders hold 8,391,450 securities which is equal to 27.97% of the total securities on issue.

Stock exchange listing

PERLS VII are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPD.

Range of securities (PERLS VII) as at 20 July 2020

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	26,888	86.63	9,191,476	30.64
1,001 – 5,000	3,687	11.88	7,395,606	24.65
5,001 – 10,000	258	0.83	1,813,407	6.04
10,001 – 100,000	190	0.61	4,363,585	14.55
100,001 and over	15	0.05	7,235,926	24.12
Total	31,038	100. 00	30,000,000	100. 00
Less than marketable parcel of $500	19	0. 06	52	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 278 and 279 for the Bank's ordinary shares.

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Security holder information (continued)

Top 20 holders of CommBank PERLS VIII Capital Notes ("PERLS VIII") as at 20 July 2020

Rank	Name of holder	Number of securities	%
1	BNP Paribas Noms Pty Ltd	3,150,171	21.73%
2	HSBC Custody Nominees	1,334,386	9.20%
3	J P Morgan Nominees Australia Limited	238,862	1.65%
4	Netwealth Investments Limited	120,358	0.83%
5	Piek Holdings Pty Ltd	93,000	0.64%
6	Snowside Pty Ltd	83,983	0.58%
7	Navigator Australia	83,134	0.57%
8	Nulis Nominees (Australia)	73,636	0.51%
9	Australian Executor Trustees Limited	70,073	0.48%
10	Bond Street Custodians Limited	63,740	0.44%
11	Dimbulu Pty Ltd	50,000	0.34%
12	Marrosan Investments Pty Ltd	50,000	0.34%
13	Mifare Pty Ltd	50,000	0.34%
14	V S Access Pty Ltd	48,084	0.33%
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	Mutual Trust Pty Ltd	44,049	0.30%
19	Citicorp Nominees Pty Limited	39,263	0.27%
20	Mr Vincent David Smart + Mrs Susan May Smart	36,160	0.25%

The top 20 PERLS VIII security holders hold 5,766,399 securities which is equal to 39.77% of the total securities on issue.

Stock exchange listing

PERLS VIII are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPE.

Range of securities (PERLS VIII) as at 20 July 2020

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	13,314	89.40	4,168,836	28.75
1,001 – 5,000	1,383	9.29	2,865,944	19.76
5,001 – 10,000	119	0.80	878,443	6.06
10,001 – 100,000	72	0.48	2,014,856	13.90
100,001 and over	4	0.03	4,571,921	31.53
Total	14,892	100. 00	14,500,000	100.00
Less than marketable parcel of $500	4	0. 03	10	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 278 and 279 for the Bank's ordinary shares.

Additional information (continued)

Security holder information (continued)

Top 20 holders of CommBank PERLS IX Capital Notes ("PERLS IX") as at 20 July 2020

Rank	Name of holder	Number of securities	%
1	BNP Paribas Noms Pty Ltd	2,343,186	14.29%
2	HSBC Custody Nominees	1,553,860	9.47%
3	J P Morgan Nominees Australia Limited	643,242	3.92%
4	Navigator Australia	207,840	1.27%
5	Australian Executor Trustees Limited	189,662	1.16%
6	Bond Street Custodians Limited	164,623	1.00%
7	Dimbulu Pty Ltd	147,700	0.90%
8	National Nominees Limited	138,700	0.85%
9	Mutual Trust Pty Ltd	129,315	0.79%
10	Netwealth Investments Limited	117,924	0.72%
11	Nulis Nominees (Australia)	98,273	0.60%
12	Citicorp Nominees Pty Limited	72,577	0.44%
13	Fibora Pty Ltd	64,740	0.39%
14	Invia Custodian Pty Limited	57,623	0.35%
15	Ernron Pty Ltd	34,530	0.21%
16	Sir Moses Montefiore Jewish Home	30,660	0.19%
17	Pendant Realty Pty Ltd	30,000	0.18%
18	Port Stephens Veterans and Aged Care Ltd	30,000	0.18%
19	J C Family Investments Pty Limited	27,218	0.17%
20	888 Corporation Pty Ltd	25,000	0.15%

The top 20 PERLS IX security holders hold 6,106,673 securities which is equal to 37.24% of the total securities on issue.

Stock exchange listing

PERLS IX are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPF.

Range of securities (PERLS IX) as at 20 July 2020

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	17,473	90.23	5,562,105	33.92
1,001 – 5,000	1,706	8.81	3,428,049	20.90
5,001 – 10,000	110	0.57	815,120	4.97
10,001 – 100,000	64	0.33	1,428,025	8.71
100,001 and over	11	0.06	5,166,701	31.50
Total	19,364	100.00	16,400,000	100.00
Less than marketable parcel of $500	3	0.02	5	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 278 and 279 for the Bank's ordinary shares.

Additional information (continued)

Security holder information (continued)

Top 20 holders of CommBank PERLS X Capital Notes ("PERLS X") as at 20 July 2020

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	1,480,864	10.85%
2	BNP Paribas Noms Pty Ltd	1,224,850	8.97%
3	Netwealth Investments Limited	167,057	1.22%
4	Citicorp Nominees Pty Limited	157,675	1.16%
5	J P Morgan Nominees Australia Limited	129,916	0.95%
6	Navigator Australia	122,714	0.90%
7	Dimbulu Pty Ltd	100,000	0.73%
8	Bond Street Custodians Limited	85,667	0.63%
9	Australian Executor Trustees Limited	84,385	0.62%
10	Marrosan Investments Pty Ltd	80,000	0.59%
11	Rakio Pty Ltd	77,000	0.56%
12	Eastcote Pty Ltd	50,000	0.37%
13	Federation University Australia	50,000	0.37%
14	Harriette & Co Pty Ltd	50,000	0.37%
15	National Nominees Limited	41,468	0.30%
16	Mutual Trust Pty Ltd	40,786	0.30%
17	Mr Roni G Sikh	40,492	0.30%
18	Mr Wei Cai	38,960	0.29%
19	Taverners No 11 Pty Ltd	38,710	0.28%
20	Nulis Nominees (Australia)	38,481	0.28%

The top 20 PERLS X security holders hold 4,099,025 securities which is equal to 30.03% of the total securities on issue.

Stock exchange listing

PERLS X are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPG.

Range of securities (PERLS X) as at 20 July 2020

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	12,924	88.09	4,524,257	33.14
1,001 – 5,000	1,555	10.60	3,360,115	24.62
5,001 – 10,000	110	0.75	833,523	6.11
10,001 – 100,000	77	0.52	2,059,174	15.08
100,001 and over	6	0.04	2,872,931	21.05
Total	14,672	100.00	13,650,000	100.00
Less than marketable parcel of $500	8	0.05	20	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 278 and 279 for the Bank's ordinary shares.

Additional information (continued)

Security holder information (continued)

Top 20 holders of CommBank PERLS XI Capital Notes ("PERLS XI") as at 20 July 2020

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	1,734,713	10.91%
2	BNP Paribas Noms Pty Ltd	374,960	2.36%
3	J P Morgan Nominees Australia Limited	309,073	1.94%
4	Netwealth Investments Limited	253,550	1.59%
5	Australian Executor Trustees Limited	230,913	1.45%
6	Dimbulu Pty Ltd	150,000	0.94%
7	Bond Street Custodians Limited	136,794	0.86%
8	National Nominees Limited	128,835	0.81%
9	Navigator Australia	111,802	0.70%
10	Eastcote Pty Limited	100,000	0.63%
11	G Harvey Investments Pty Ltd	100,000	0.63%
12	Pamdale Investments Pty Ltd	89,578	0.56%
13	Citicorp Nominees Pty Limited	87,192	0.55%
14	Nulis Nominees (Australia)	84,104	0.53%
15	V S Access Pty Ltd	80,000	0.50%
16	Mutual Trust Pty Ltd	62,562	0.39%
17	Edgelake Proprietary Limited	49,267	0.31%
18	J Santini Development Pty Ltd	46,000	0.29%
19	Margen Biggs Pty Limited	36,000	0.23%
20	Invia Custodian Pty Limited	34,275	0.22%

The top 20 PERLS XI security holders hold 4,199,618 securities which is equal to 26.41% of the total securities on issue.

Stock exchange listing

PERLS XI are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPH.

Range of securities (PERLS XI) as at 20 July 2020

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	16,689	88.49	5,782,006	36.36
1,001 – 5,000	1,933	10.25	4,002,455	25.17
5,001 – 10,000	154	0.82	1,130,004	7.12
10,001 – 100,000	74	0.39	1,884,752	11.85
100,001 and over	10	0.05	3,100,783	19.50
Total	18,860	100.00	15,900,000	100.00
Less than marketable parcel of $500	9	0.05	13	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 278 and 279 for the Bank's ordinary shares.

Additional information (continued)

Security holder information (continued)

Top 20 holders of CommBank PERLS XII Capital Notes ("PERLS XII") as at 20 July 2020

Rank	Name of holder	Number of securities	%
1	HSBC Custody Nominees	1,912,212	11.59%
2	BNP Paribas Noms Pty Ltd	305,822	1.85%
3	Netwealth Investments Limited	228,852	1.39%
4	Royal Freemasons Benevolent Institution	202,500	1.23%
5	J P Morgan Nominees Australia Limited	200,114	1.21%
6	Dimbulu Pty Ltd	200,000	1.21%
7	Citicorp Nominees Pty Limited	124,540	0.75%
8	Australian Executor Trustees Limited	121,927	0.74%
9	Tandom Pty Ltd	120,000	0.73%
10	Diocese Development Fund - Catholic Diocese of Paramatta	101,472	0.61%
11	Bond Street Custodians Limited	98,417	0.60%
12	National Nominees Limited	89,427	0.54%
13	Navigator Australia	74,161	0.45%
14	UBS Nominees Pty Ltd	55,799	0.34%
15	Tsco Pty Ltd	48,650	0.29%
16	Invia Custodian Pty Limited	46,360	0.28%
17	Nulis Nominees (Australia)	46,117	0.28%
18	Mr Bruce Hampel	45,000	0.27%
19	Lightningedge Pty Ltd	40,000	0.24%
20	Taverners No 11 Pty Ltd	39,264	0.24%

The top 20 PERLS XII security holders hold 4,100,634 securities which is equal to 24.85% of the total securities on issue.

Stock exchange listing

PERLS XII are subordinated unsecured notes issued by the Bank. They are listed on the ASX under the trade symbol CBAPI.

Range of securities (PERLS XII) as at 20 July 2020

Range	Number of security holders	Percentage of security holders	Number of securities	Percentage of issued capital
1 – 1,000	16,112	87.63	5,836,220	35.37
1,001 – 5,000	2,018	10.97	4,213,197	25.54
5,001 – 10,000	166	0.90	1,241,074	7.52
10,001 – 100,000	82	0.45	2,191,113	13.28
100,001 and over	9	0.05	3,018,396	18.29
Total	18,387	100.00	16,500,000	100.00
Less than marketable parcel of $500	4	0.02	15	0.00

Voting rights

PERLS XII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 278 and 279 for the Bank's ordinary shares.

Relevant exchanges

In addition to the ASX, the Bank has securities quoted on the London Stock Exchange (LSE), Swiss Exchange (SIX) and the New Zealand Exchange (NZX).

Five-year financial summary

	30 Jun 20 $M	30 Jun 19 [1] $M	30 Jun 18 [1] $M	30 Jun 17 $M	30 Jun 16 $M
Net interest income	**18,610**	18,224	18,465	17,546	16,858
Other operating income [2]	**5,151**	5,355	5,646	6,831	7,043
Total operating income	**23,761**	23,579	24,111	24,377	23,901
Operating expenses	**(10,895)**	(10,824)	(10,653)	(10,129)	(9,957)
Loan impairment expense	**(2,518)**	(1,201)	(1,079)	(1,095)	(1,256)
Net profit before tax	**10,348**	11,554	12,379	13,153	12,688
Income tax expense	**(3,052)**	(3,321)	(3,779)	(3,752)	(3,497)
Non-controlling interests	**–**	(12)	(13)	(13)	(20)
Net profit after tax from continuing operations ("cash basis")	**7,296**	8,221	8,587	9,388	9,171
Net profit after tax from discontinued operations	**153**	485	825	493	274
Net profit after tax ("cash basis")	**7,449**	8,706	9,412	9,881	9,445
Treasury shares valuation adjustment	**–**	6	2	(23)	4
Hedging and IFRS volatility	**93**	(79)	101	73	(199)
(Loss)/gain on disposal of controlled entities/investments	**2,092**	(61)	(183)	–	–
Bankwest non-cash items	**–**	(1)	(3)	(3)	(27)
Net profit after income tax attributable to equity holders of the Bank "statutory basis"	**9,634**	8,571	9,329	9,928	9,223
Contributions to profit (after tax)					
Retail Banking Services	**3,997**	3,907	4,465	4,423	4,540
Business and Private Banking	**2,654**	2,931	3,134	2,736	1,522
Institutional Banking and Markets	**655**	1,117	1,226	1,360	1,190
Wealth Management	**–**	–	–	201	400
New Zealand	**811**	1,059	975	871	785
Bankwest	**–**	–	–	–	778
IFS & other	**(821)**	(793)	(1,213)	(203)	(44)
Net profit after tax from continuing operations ("cash basis")	**7,296**	8,221	8,587	9,388	9,171
Investment experience after tax	**(4)**	(3)	(2)	(7)	(24)
Net profit after tax "underlying basis"	**7,292**	8,218	8,585	9,381	9,147
Balance Sheet					
Loans, bills discounted and other receivables	**771,547**	755,173	743,744	731,762	695,398
Total assets	**1,014,060**	976,502	975,165	976,318	932,945
Deposits and other public borrowings	**701,999**	636,040	622,234	626,655	588,045
Total liabilities	**942,047**	906,853	907,305	912,658	872,437
Shareholders' Equity	**72,013**	69,649	67,860	63,660	60,508
Net tangible assets (including discontinued operations)	**64,359**	59,580	56,844	53,090	49,630
Risk weighted assets – Basel III (APRA)	**454,948**	452,762	458,612	437,063	394,667
Average interest earning assets	**897,409**	871,418	861,884	834,741	790,596
Average interest bearing liabilities	**771,982**	761,115	759,583	755,612	733,754
Assets (on Balance Sheet) – Australia	**855,219**	824,651	811,491	817,519	783,114
Assets (on Balance Sheet) – New Zealand	**103,531**	99,661	94,622	89,997	83,832
Assets (on Balance Sheet) – Other	**55,310**	52,190	69,052	68,802	65,999

1 Comparative information for 2019 and 2018 has been restated and presented on a continuing operations basis, and to reflect the change in accounting policy detailed in Note 1.1 as well as refinements to the allocation of customer balances.
2 Includes investment experience.

Five-year financial summary (continued)

		30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Shareholder summary from continuing operations [1]						
Earnings per share (cents)						
Basic						
Statutory	(cents)	**421.8**	458.3	500.0	549.9	525.6
Cash basis	(cents)	**412.5**	465.5	491.5	545.4	538.3
Fully diluted						
Statutory	(cents)	**408.5**	443.2	485.5	532.9	513.3
Cash basis	(cents)	**399.9**	449.9	477.5	528.7	525.4
Shareholder summary including discontinued operations						
Earnings per share						
Basic						
Statutory	(cents)	**544.8**	485.6	534.3	577.3	542.0
Cash basis	(cents)	**421.1**	493.0	538.8	574.1	554.5
Fully diluted						
Statutory	(cents)	**523.2**	468.6	517.7	558.8	529.0
Cash basis	(cents)	**407.9**	475.4	522.0	555.8	540.9
Dividends per share – fully franked	(cents)	**298**	431	431	429	420
Dividend cover – statutory	(times)	**1.8**	1.1	1.2	1.3	1.3
Dividend cover – cash	(times)	**1.4**	1.1	1.2	1.3	1.3
Dividend payout ratio						
Statutory	(%)	**54.76**	89.02	81.15	74.62	78.37
Cash basis	(%)	**70.82**	87.64	80.44	74.97	76.51
Net tangible assets per share including discontinued operations	($)	**36.4**	33.7	32.3	30.7	28.9
Weighted average number of shares (statutory basis)	(M)	**1,768**	1,765	1,746	1,720	1,692
Weighted average number of shares (statutory fully diluted)	(M)	**1,895**	1,897	1,852	1,816	1,771
Weighted average number of shares (cash basis)	(M)	**1,769**	1,766	1,747	1,721	1,694
Weighted average number of shares (cash fully diluted)	(M)	**1,896**	1,898	1,853	1,817	1,773
Number of shareholders [1, 2]		**888,214**	831,655	851,539	844,527	857,052
Share prices for the year						
Trading high	($)	**91.05**	83.99	85.12	87.74	88.88
Trading low	($)	**53.44**	65.23	67.22	69.22	69.79
End (closing price)	($)	**69.42**	82.78	72.87	82.81	74.37

1 Comparative information for 2019 and 2018 has been restated and presented on a continuing operations basis, and to reflect the change in accounting policy detailed in Note 1.1.
2 This includes employees.

Five-year financial summary (continued)

		30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Performance ratios from continuing operations [1]						
Return on average Shareholders' Equity						
Statutory	(%)	**10.5**	11.9	13.4	15.4	15.8
Cash basis	(%)	**10.3**	12.1	13.1	15.3	16.1
Return on average total assets						
Statutory	(%)	**0.7**	0.8	0.9	1.0	1.0
Cash basis	(%)	**0.7**	0.8	0.9	1.0	1.0
Net interest margin	(%)	**2.07**	2.09	2.14	2.10	2.13
Performance ratios including discontinued operations						
Return on average Shareholders' Equity						
Statutory	(%)	**13.6**	12.6	14.3	16.2	16.3
Cash basis	(%)	**10.5**	12.8	14.4	16.0	16.6
Return on average total assets						
Statutory	(%)	**1.0**	0.9	1.0	1.0	1.0
Cash basis	(%)	**0.7**	0.9	1.0	1.0	1.0
Capital adequacy – Common Equity Tier 1 – Basel III (APRA)	(%)	**11.6**	10.7	10.1	10.1	10.6
Capital adequacy – Tier 1 – Basel III (APRA)	(%)	**13.9**	12.7	12.3	12.1	12.3
Capital adequacy – Tier 2 – Basel III (APRA)	(%)	**3.6**	2.8	2.7	2.1	2.0
Capital adequacy – Total – Basel III (APRA)	(%)	**17.5**	15.5	15.0	14.2	14.3
Leverage Ratio Basel III (APRA)	(%)	**5.9**	5.6	5.5	5.1	5.0
Liquidity Coverage Ratio – "Spot Basis"	(%)	**145**	129	131	129	120
Net interest margin	(%)	**2.08**	2.10	2.15	2.11	2.14
Other information						
Full-time equivalent employees from continuing operations [1]		**41,778**	41,458	41,024	42,359	43,178
Full-time equivalent employees including discontinued operations		**43,585**	45,165	45,753	45,614	45,129
Branches/services centres (Australia)		**967**	1,014	1,082	1,121	1,131
Agencies (Australia)		**3,547**	3,560	3,589	3,664	3,654
ATMs		**3,542**	3,963	4,253	4,398	4,381
EFTPOS terminals (active)		**190,118**	217,608	219,245	217,098	217,981
Productivity from continuing operations [1, 2]						
Total operating income per full-time equivalent employee	($)	**568,744**	568,744	587,729	579,023	552,805
Employee expense/total operating income	(%)	**24.3**	24.2	21.8	22.4	24.1
Total operating expenses/total operating income	(%)	**45.9**	45.9	44.2	41.6	41.7
Productivity including discontinued operations [1, 2]						
Total operating income per full-time equivalent employee	($)	**568,361**	568,449	585,033	568,685	545,237
Employee expense/total operating income	(%)	**24.6**	25.3	23.0	24.0	24.4
Total operating expenses/total operating income	(%)	**47.1**	47.5	45.2	41.7	42.4

1 Comparative information for 2019 and 2018 has been restated and presented on a continuing operations basis, and to reflect the change in accounting policy detailed in Note 1.1.
2 The productivity metrics have been calculated on a cash basis.

Profit reconciliation

Profit reconciliation	Full year ended 30 June 2020 Net profit after tax "cash basis" $M	(Loss)/gain on disposal and acquisition of controlled entities [1] $M	Hedging and IFRS volatility $M	Bankwest non-cash items $M	Treasury shares valuation adjustment $M	Investment experience $M	Net profit after tax "statutory basis" $M
Group							
Interest income [2]	**30,162**	–	–	–	–	–	**30,162**
Interest expense	**(11,552)**	–	–	–	–	–	**(11,552)**
Net interest income	**18,610**	–	–	–	–	–	**18,610**
Other banking income	**4,837**	29	136	–	–	–	**5,002**
Total banking income	**23,447**	29	136	–	–	–	**23,612**
Funds management income	**172**	–	–	–	–	1	**173**
Insurance income	**139**	–	–	–	–	2	**141**
Total operating income	**23,758**	29	136	–	–	3	**23,926**
Investment experience	**3**	–	–	–	–	(3)	**–**
Total income	**23,761**	29	136	–	–	–	**23,926**
Operating expenses	**(10,895)**	(34)	–	–	–	–	**(10,929)**
Loan impairment expense	**(2,518)**	–	–	–	–	–	**(2,518)**
Net profit before tax	**10,348**	(5)	136	–	–	–	**10,479**
Income tax (expense)/benefit	**(3,052)**	75	(43)	–	–	–	**(3,020)**
Non-controlling interests	**–**	–	–	–	–	–	**–**
Net profit after income tax from continuing operations	**7,296**	70	93	–	–	–	**7,459**
Net profit after income tax from discontinued operations [3]	**153**	2,022	–	–	–	–	**2,175**
Net profit after income tax	**7,449**	2,092	93	–	–	–	**9,634**

1 Continuing operations net profit after tax includes gains and losses net of transaction and separation costs associated with the disposal of Aegis, AUSIEX, Count Financial and other businesses, and the dilution of the Group's interest in Bank of Hangzhou. Discontinued operations net profit after tax includes gains and losses net of transaction and separation costs associated with the disposal of CFS, CFSGAM, PT Commonwealth Life, and other businesses, and the deconsolidation and divestment of CommInsure Life.
2 Interest income includes total Effective interest income and Other interest income.
3 Statutory Net profit after income tax from discontinued operations is presented net of non-controlling interests.

Profit reconciliation (continued)

Profit reconciliation	Full year ended 30 June 2019 [1] Net profit after tax "cash basis" $M	(Loss)/gain on disposal and acquisition of controlled entities [2] $M	Hedging and IFRS volatility $M	Bankwest non-cash items [3] $M	Treasury shares valuation adjustment $M	Investment experience $M	Net profit after tax "statutory basis" $M
Group							
Interest income [4]	**34,709**	–	–	–	–	–	**34,709**
Interest expense	**(16,485)**	–	–	–	–	–	**(16,485)**
Net interest income	**18,224**	–	–	–	–	–	**18,224**
Other banking income	**4,951**	42	(116)	–	–	–	**4,877**
Total banking income	**23,175**	42	(116)	–	–	–	**23,101**
Funds management income	**255**	–	–	–	–	(1)	**254**
Insurance income	**147**	–	–	–	–	3	**150**
Total operating income	**23,577**	42	(116)	–	–	2	**23,505**
Investment experience	**2**	–	–	–	–	(2)	**–**
Total income	**23,579**	42	(116)	–	–	–	**23,505**
Operating expenses	**(10,824)**	(102)	–	(2)	–	–	**(10,928)**
Loan impairment expense	**(1,201)**	–	–	–	–	–	**(1,201)**
Net profit before tax	**11,554**	(60)	(116)	(2)	–	–	**11,376**
Income tax (expense)/benefit	**(3,321)**	8	37	1	–	–	**(3,275)**
Non-controlling interests	**(12)**	–	–	–	–	–	**(12)**
Net profit after income tax from continuing operations	**8,221**	(52)	(79)	(1)	–	–	**8,089**
Net profit after income tax from discontinued operations [5]	**485**	(9)	–	–	6	–	**482**
Net profit after income tax	**8,706**	(61)	(79)	(1)	6	–	**8,571**

1 Comparative information has been restated to conform to presentation in the current year.
2 Continuing operations net profit after tax includes demerger costs for NewCo and impairment loss and transaction costs associated with the disposal of Count Financial, partly offset by a net gain on acquisition and disposals of other businesses. Discontinued operations net profit after tax includes gains and losses net of transaction and separation costs associated with the disposal of CommInsure Life, CFSGAM, Sovereign, TymeDigital SA and a net gain on acquisition and disposal of other businesses.
3 Includes merger related amortisation.
4 Interest income includes total Effective interest income and Other interest income.
5 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Glossary of terms

Financial and remuneration related definitions

Term	Description
Assets Under Management	Assets Under Management (AUM) represents the market value of assets for which the Group acts as an appointed manager. Growth and volatility in this balance is a key performance indicator for the Wealth Management and New Zealand businesses.
Board	The Board of Directors of the Group.
Common Equity Tier 1 Capital (CET1)	The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises Ordinary share capital, Retained earnings and Reserves less prescribed deductions.
Corporations Act	*Corporations Act 2001* (Cth)
Customer satisfaction – Roy Morgan	This represents satisfaction with Main Financial Institution (MFI) based on the relationship with the financial institution as measured by Roy Morgan Research. The figures are six months rolling averages and are based on respondents aged 14+. The measure is the percentage of customers who answered as being either "very satisfied" or "fairly satisfied" with their MFI. Net Promoter Score (NPS) is now the primary metric by which we assess customer satisfaction. Advocacy is measured on a scale of 1 to 10, with 1 being "Very Unlikely" and 10 being "Very likely" to recommend. (Measuring our customers' satisfaction is important as satisfied customers usually return, they tell other people about their experiences, and they may well pay a premium for the privilege of doing business with an institution they trust.) Our aim is to retain our customers by providing quality service to them.
Deferred rights	Deferred rights to ordinary shares in CBA are used for deferred STVR awarded under Executive General Manager arrangements. These equity awards are subject to forfeiture if the Executive ceases to be employed by the Group prior to the vesting date as a result of resignation or serious misconduct, Board risk and reputation review and malus provisions.
Deferred shares	Awarded from the 2018 financial year, deferred shares are ordinary shares in CBA, which are restricted until vesting and used for deferred STVR arrangements and sign-on awards. These equity awards are subject to forfeiture if the Executive ceases to be employed by the Group prior to the vesting date as a result of resignation or serious misconduct, Board risk and reputation review and malus provisions.
Dividend payout ratio ("cash basis")	Dividends paid on ordinary shares divided by net profit after tax ("cash basis").
Dividend payout ratio ("statutory basis")	Dividends paid on ordinary shares divided by net profit after tax ("statutory basis").
DPS	Dividends per share.
DRP	Dividend reinvestment plan.
DRP participation	The percentage of total issued capital participating in the dividend reinvestment plan.
Earnings per share (EPS) (basic)	Basic earnings per share is the net profit attributable to ordinary equity holders of the Bank, divided by the weighted average number of ordinary shares on issue during the year per the requirements of relevant accounting standards.
Earnings per share (EPS) (diluted)	Diluted earnings per share adjusts the net profit attributable to ordinary equity holders of the Bank and the weighted average number of ordinary shares on issue used in the calculation of basic earnings per share, for the effects of dilutive potential ordinary shares per the requirements of relevant accounting standards.
Expense to income ratio	Represents operating expenses as a percentage of total operating income. The ratio is a key efficiency measure.
Executives	Collective term referring to the individuals in the following Executive groups: CEO, Group Executives and CEO ASB.
Full-time equivalent staff	Includes all permanent full-time staff, part-time staff equivalents and external contractors employed through third-party agencies.

Glossary of terms

Term	Description
Funds Under Administration	Funds Under Administration (FUA) represents the market value of funds administered by the Group and excludes AUM. Growth and volatility in this balance is a key performance indicator for the Wealth Management business and New Zealand businesses.
Group	Commonwealth Bank of Australia and its subsidiaries.
Group Executive (GE)	Members of the Executive Leadership Team (excludes the CEO and the CEO ASB).
Interest Rate Risk in the Banking Book (IRRBB)	Interest Rate Risk in the Banking Book is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted by changes in interest rates. This is measured from two perspectives: quantifying the change in the net present value of the Balance Sheet's future earnings potential, and the anticipated change to the Net Interest Income earned over 12 months. This calculation is driven by APRA regulations with further detail outlined in the Group's Basel III Pillar 3 report.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.
Long-Term Variable Remuneration (LTVR)	A variable remuneration arrangement that grants instruments to participating Executives that may vest over a period of four years if performance hurdles are met.
Net profit after tax ("cash basis")	Represents net profit after tax and non-controlling interests before non-cash items including hedging and IFRS volatility, Bankwest non-cash items, treasury shares valuation adjustment, and losses or gains on acquisitions, disposal, closure and demerger of businesses. This is Management's preferred measure of the Group's financial performance.
Net profit after tax ("statutory basis")	Represents net profit after tax and non-controlling interests, calculated in accordance with Australian Accounting Standards. This is equivalent to the statutory item "Net profit attributable to Equity holders of the Bank".
Net Promoter Score Consumer	Refer to pages 297 - 298.
Net Promoter Score Business	Refer to pages 297 - 298.
Net Promoter Score Mobile App	Refer to pages 297 - 298.
Net Promoter Score Internet Banking	Refer to pages 297 - 298.
Net Stable Funding Ratio (NSFR)	The NSFR more closely aligns the behaviour terms of assets and liabilities. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an Authorised Deposit-taking Institution's (ADI) capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off Balance Sheet activities.
Net tangible assets per share	Net assets excluding intangible assets, non-controlling interests and other equity instruments divided by ordinary shares on issue at the end of the period (excluding Treasury Shares deduction).
Non-Executive Director	Key Management Personnel who are not Executives.
Other overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
Profit after capital charge (PACC)	The Group uses PACC, a risk-adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
Return on equity – cash basis	Based on cash net profit after tax ("cash basis") and non-controlling interests less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests, other equity instruments and the treasury shares deduction relating to life insurance statutory funds.
Return on equity – statutory basis	Based on net profit after tax ("statutory basis") less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests and other equity instruments.

Glossary of terms

Term	Description
Rights	Rights to ordinary shares in CBA granted under LTVR award and subject to performance hurdles.
Short-Term Variable Remuneration (STVR)	Variable remuneration paid subject to the achievement of predetermined performance hurdles over one financial year.
Total Committed Exposure (TCE)	Total Committed Exposure is defined as the balance outstanding and undrawn components of committed facility limits. It is calculated before collateralisation and excludes settlement exposures on derivatives.
Weighted average number of shares ("cash basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investment in the Bank's shares held by the employee share scheme trust.
Weighted average number of shares ("statutory basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investments in the Bank's shares held by both the life insurance statutory funds and by the employee share scheme trust.

Glossary of terms

Our business definitions

Statement	Source
#1 banking app in Australia	The Forrester Digital Experience Review™: Australian Mobile Banking Apps, Q3 2020. Commonwealth Bank of Australia was named the Overall Digital Experience Leader™ among mobile apps in Australia in Forrester's proprietary Digital Experience Review™. Forrester Research does not endorse any company included in any Digital Experience Review™ report and does not advise any person or organization to select the products or services of any particular company based on the ratings included in such reports.
#1 in home lending, household deposits and credit cards	Home lending: RBA Lending and Credit Aggregates. Household deposits and credit cards: APRA Monthly Authorised Deposit-taking Institution Statistics (MADIS).
#1 mobile app and internet banking Net Promoter Score	Refer to pages 297-298.
#1 mobile banking	Commonwealth Bank won Canstar's *Bank of the Year - Mobile Banking* award for 2020 (for the 5th year in a row). Awarded June 2020.
#1 online banking	Commonwealth Bank won Canstar's *Bank of the Year - Online Banking* award for 2020 (for the 11th year in a row). Awarded June 2020.
#1 payments provider with largest merchant base	Total volume of transactions processed in Australia for credit and debit cards based on RBA and quarterly Mastercard reported data. RBA: Credit and Charge Cards – Original Series – Personal and Commercial Cards. RBA: Debit Cards – Original Series.
6.1 million active customers	The total number of customers that have logged into the CommBank mobile app at least once in the month of June 2020. Includes Face ID logons.
CommBank transactions made digitally (by value)	The total value ($) of transfers and BPAY payments made in digital (NetBank, the CommBank mobile app, CommBank tablet app and old mobile app) as a proportion of the total value ($) of transfers in over-the-counter, ATM, EFTPOS and digital transactions over the period of July 2019 – June 2020.
Main Financial Institution (MFI) for more than 1 in 3 Australians	MFI Share measures the proportion of Banking and Finance MFI Customers that nominated each bank as their Main Financial Institution. MFI definition: In the Roy Morgan Single Source Survey MFI is a customer determined response where one institution is nominated as the primary financial institution they deal with (when considering all financial products they hold). Peers include ANZ Group, NAB Group and Westpac Group (including St George Group). CBA Group includes Bankwest. Source: Roy Morgan Single Source survey conducted by Roy Morgan, Australian population 14+ (12 month average to June 2020), excludes unable to identify MFI.
New business lending for Australian businesses	Includes Commercial Lending, Asset Finance and Institutional Lending (excluding other interest earning lending assets, primarily Cash Management Pooling Facilities, Leasing, Trade Finance, and Debt Markets).
New home lending for Australian home buyers	Includes RBS internal refinancing, excludes Viridian Line of Credit (VLOC) and excludes Bankwest internal refinancing.
People and delivery partners enabled to work remotely during COVID-19	Number of people (both CBA staff and partners, e.g. IT vendors) provided with the infrastructure needed to work remotely (e.g. Office 365, Virtual Desktop).
RepTrak score	The RepTrak Company (formerly Reputation Institute), June 2020. Reputation score amongst top 16 ASX customer-facing companies.
The largest share of new migrant segments	Main Financial Institution (MFI) Share measures the proportion of Banking and Finance MFI Customers who were not born in Australia and have been in Australia for less than 6 years that nominated each bank as their Main Financial Institution. MFI definition: In the Roy Morgan Single Source Survey MFI is a customer determined response where one institution is nominated as the primary financial institution they deal with (when considering all financial products they hold). Peers includes ANZ Group, NAB Group and Westpac Group (including St George Group). CBA Group includes Bankwest. Source: Roy Morgan's Single Source survey conducted by Roy Morgan, Australian population 14+ (12 month average to June 2020).
The largest share of youth segments	Main Financial Institution (MFI) Share measures the proportion of Banking and Finance MFI Customers aged 14-24 that nominated each bank as their Main Financial Institution. MFI definition: In the Roy Morgan Single Source Survey MFI is a customer determined response where one institution is nominated as the primary financial institution they deal with (when considering all financial products they hold). Peers includes ANZ Group, NAB Group and Westpac Group (including St George Group). CBA Group includes Bankwest. Source: Roy Morgan's Single Source survey conducted by Roy Morgan, Australian population 14+ (12 month average to June 2020).

Glossary of terms

Sustainability performance metrics definitions

Metric	Description
Absenteeism	Absenteeism refers to the average number of sick leave days (and carer's leave days for CommSec employees) per Australia-based full-time equivalent employees. Bankwest is included from FY19.
Age diversity	Percentage of permanent employees (full-time, part-time, job share or on extended leave), casuals, employees on international assignment and those contractors paid directly by the Group, by age group as at 30 June (excluding ASB businesses in New Zealand).
Australian Indigenous supplier spend	Refers to direct (first tier) supplier spend with Indigenous businesses in Australia. It includes any payments (including grant payments) made to an Indigenous business registered or certified by Supply Nation.
Cash contributions	Total donations contributed by the Group (excluding Aussie Home Loans) through charitable gifts, community partnerships and matched giving. Matched giving excludes staff contributions.
Community investment as a percentage of pre-tax profit	Total community investment as a percentage of the Group's cash net profit from continuing operations before tax as at 30 June.
Cultural diversity index (CDI)	The concentration mix of all cultures of the Group's employees resulting in an index between 0 and 1, where the higher the score, the more diverse the population. CDI is calculated using demographic information disclosed in the Group's biannual people and culture survey and benchmarked against the ancestry question in the 2016 Australian Census. The CDI excludes Aussie Home Loans, Bankwest, and ASB businesses in New Zealand, businesses in Indonesia, China and Vietnam.
Customer Advocate:	
Average business days to review complaint	Average number of business days taken to review a complaint, from the date it was received by the Office of the Customer Advocate until the review was finalised and an outcome is provided to the customer. It excludes Aussie Home Loans, ASB businesses in New Zealand and other overseas operations.
Complaints reviewed by the Office of the Customer Advocate (OCA)	Number of customer complaints reviewed by the OCA and recorded in the feedback management system (Firstpoint). It excludes Aussie Home Loans, ASB businesses in New Zealand and other overseas operations.
Outcomes from review process	Portion of complaints reviewed by the Office of the Customer Advocate where the internal dispute resolution (IDR) decision was; confirmed (no further action taken), enhanced (agreed with IDR decision but provided alternative financial/non-financial outcome) or substituted (IDR decision was incorrect). It excludes Aussie Home Loans, and ASB businesses in New Zealand and overseas operations.
Customer complaints – resolved	The number of complaints resolved for the Group during the reporting period as defined by the Australian Securities and Investments Commission Regulatory Guide 165, and recorded in the feedback management system (Firstpoint). In FY20 the methodology has been revised to consider only those complaints resolved after five business days. FY19 and FY18 figures have been restated using this revised methodology. It excludes Aussie Home Loans, Bankwest and overseas operations.
Electricity generated from on-site solar panels	Electricity generated during the reporting period from photovoltaic solar panels installed on approximately 80 bank branches. Electricity may be used on site or returned to the grid.
Employee engagement index – CBA	The index shows the proportion of employees replying with a score of 4 or 5 to four engagement questions in the Group's biannual people and culture survey. The questions relate to satisfaction, retention, advocacy and pride on a scale of 1-5 (where 1 is 'Strongly Disagree' and 5 is 'Strongly Agree'). The index excludes Aussie Home Loans, Bankwest and ASB businesses in New Zealand.
Employee turnover – involuntary	Refers to all involuntary exits of permanent employees as a percentage of the average permanent headcount paid directly by the Group (full-time, part-time, job share or on extended leave), excluding ASB businesses in New Zealand. Involuntary exits include redundancies and terminations for disciplinary reasons.
Employee turnover – voluntary	Refers to all voluntary exits of permanent employees as a percentage of the average permanent headcount paid directly by the Group (full-time, part-time, job share or on extended leave), excluding ASB businesses in New Zealand. Voluntary exits are determined to be resignations and retirements.

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Metric	Description
Employees who identify as having a disability	The proportion of employees that have selected one or more of the disability conditions (including, but not limited to, physical or intellectual conditions, vision impairment, etc.) in the Group's biannual people and culture survey. It excludes Aussie Home Loans, Bankwest, ASB businesses in New Zealand, and businesses in Indonesia.
Employees who identify as LGBTI	The proportion of employees that identify as Lesbian, Gay, Bisexual, Transgender, Intersex (LGBTI) or other, by nominating one or more of the LGBTI options in the Group's biannual people and culture survey. It excludes Aussie Home Loans, Bankwest, ASB businesses in New Zealand and businesses in Indonesia, China, Vietnam and Singapore.
Employees with caring responsibilities	The proportion of employees that have selected any of the caring responsibility options (including, but not limited to, caring for elderly, children, people with chronic conditions, etc.) in the Group's biannual people and culture survey. It excludes Aussie Home Loans, Bankwest and ASB businesses in New Zealand.
Employees working flexibly	The proportion of employees that indicated they have used any of the flexible work options in the Group's biannual people and culture survey. It excludes Aussie Home Loans, Bankwest, and ASB businesses in New Zealand, and businesses in Indonesia, China and Vietnam.
Employees who have accessed parental leave	Number of employees eligible for parental leave benefit who had started primary or secondary carer parental leave during the reporting period, as recorded in the Group's human resources system. It excludes Aussie Home Loans, and ASB businesses in New Zealand and employees of discontinued operations.
Employees who have returned from parental leave and are still employed after 12 months	Number of employees who returned from a period of primary or secondary carer parental leave in the prior year and were still employed after 12 months within the reporting period, as recorded in the Group's human resources system. Excludes parental leave recorded prior to the introduction of a new HR System (2 March 2018) and employees that returned to a major business or subsidiary that is now a discontinued operation (refer to Note 11.3 on page 258 in the Financial Report for details on discontinued operations). Also excludes Aussie Home Loans and ASB businesses in New Zealand.
Employees working part-time or job sharing	The proportion of employees as at 30 June who are employed on a part-time or job share basis, as a percentage of permanent employees (full-time, part-time, job share or on extended leave).
Employment type	The number of Australian employees as at 30 June who are permanent employees working in full-time, part-time or casual positions, including job share or on extended leave. It excludes ASB businesses in New Zealand, fixed contractors and contingent workers.
Environmental, Social and Governance (ESG) training	Number of employees who have completed ESG learning modules, as recorded in CBA's learning management system (PeopleLink) as at 30 June, measured by headcount. This metric excludes Aussie Home Loans, Bankwest and ASB businesses in New Zealand.
Escalated complaints to an external dispute resolution (EDR) scheme	Number of complaints escalated to an EDR scheme for the Group, excluding Bankwest and ASB businesses in New Zealand. This includes complaints that have been through the Bank's internal dispute resolution process and have been escalated to an EDR scheme. FY19 has been restated based on an estimate modelled on the percentage of these complaints in FY20, and to exclude Bankwest. These complaints are recorded in the Group's feedback management system (Firstpoint) and are managed by Group Customer Relations. EDR schemes include, but are not limited to, the Australian Financial Complaints Authority (AFCA) and the Office of the Australian Information Commissioner (OAIC).
Female Directors on Board	The number of female Directors as a percentage of the number of Directors on the Board as at 30 June.
Forgone revenue	Forgone revenue consists of the aggregate value of fee-free or discounted CBA products and services during the reporting period for customers who have been assessed as low income earners, in vulnerable circumstances or not-for-profit organisations. It relates to monthly account and transaction fees only and does not include discounts on interest rates.
Fuels – natural gas, diesel and transport	Energy from the use of natural gas and diesel in retail and commercial operations, and transport fuels, under CBA's operational control during the reporting period.
Full-time equivalent employees (FTE)	Total FTE of the Group (excluding CBA employees based in New Zealand) by geographical work locations as at 30 June. FTE includes full-time, part-time, job share employees, employees on extended leave and contractors. One full-time role is equal to 38 working hours per week.

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Metric	Description
Gender pay equity – female to male base salary comparison	Gender pay equity is defined as the ratio of weighted average base salary of males and females for Australia-based employees of the Group, as at 31 March. The data reflects roles in similar functions, role scope and responsibilities. The data refers to permanent full-time and part-time employees. It excludes the CEO, Board members, contractors, casual employees, seconded employees and employees who have not responded with a defined gender. Methodology changed in FY20, to improve representation of management levels.
Graduates	The number of graduates who accepted and commenced in a graduate position with CBA or Bankwest under the Talent Acquisition program. Graduate positions commence in February each year.
Greenhouse gas emissions:	
Scope 1 emissions	Relates to the consumption of natural gas and stationary fuel used in retail, commercial and data centre properties under the Group's operational control, and business use of Tool of Trade vehicles. Emissions are calculated using the relevant emissions factors noted in the regional definitions below.
Scope 2 emissions	Emissions from the electricity used by ATMs, retail, commercial, residential and data centre properties under the Group's operational control. Emissions are calculated using the relevant emission factors noted in the regional definitions below.
Scope 3 emissions	Indirect greenhouse gas emissions as a result of sources outside the Group's operational control, but support the Group's business activities. It includes rental car and taxi use, business use of private vehicles, dedicated bus services, business flights, hotel accommodation, emissions associated with electricity and diesel consumption at data centres not under CBA's operational control, and base building emissions. Emissions are calculated using the relevant emission factors noted in the regional definitions below.
Scope 1 and 2 emissions per FTE	Greenhouse gas emissions intensity based on total Scope 1 and 2 emissions for the Group or by geographical locations, and divided by the relevant FTE number. Calculations for FY20 exclude the reclassified Scope 2 emissions from the two data centres now under operational control.
Scope 1, 2 and 3 emissions – New Zealand	New Zealand emissions are based on emission factors sourced from Measuring Emissions: A Guide for Organisations (2020). In FY20, ASB businesses in New Zealand have reclassified a portion of their leased fleet fuel usage from Scope 3 emissions to Scope 1 emissions.
Scope 1, 2 and 3 emissions – Other overseas	Other overseas emissions are estimated by multiplying the Australian emissions per FTE as at 30 June by the number of FTEs of all the Group's other overseas offices.
Scope 1 – Natural gas and stationary emissions (Australia operations)	Emissions from the consumption of diesel and natural gas in retail, commercial and data centre properties in Australia under the Group's operational control as defined under the National Greenhouse and Energy Reporting Act. Source of emissions factors: National Greenhouse Accounts Factors (NGA) (2019).
Scope 1 – Transport emissions (Australia operations)	Emissions from the consumption of diesel, ethanol E10 and petrol from our business use of our Tool of Trade vehicle fleet in Australia. Source of emissions factors: NGA (2019).
Scope 2 – Purchased electricity – property portfolio emissions (Australia operations)	Emissions from the electricity used by ATMs, retail, commercial and residential properties under the Group's operational control in Australia as defined under the National Greenhouse and Energy Reporting Act. Source of emissions factors: NGA (2019).
Scope 2 – Purchased electricity – data centre emissions (Australia operations)	Emissions from the electricity used by data centres under the Group's operational control in Australia as defined under the National Greenhouse and Energy Reporting Act. Source of emissions factors: NGA (2019).
Scope 3 – Natural gas and diesel stationary (Australia operations)	Indirect emissions associated with the use of diesel and natural gas in retail, commercial and data centre properties in Australia under the Group's operational control as defined under the National Greenhouse and Energy Reporting Act. Source of emissions factors: NGA (2019).

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Metric	Description
Scope 3 – Purchased electricity – data centre (Australia operations)	Indirect emissions from the electricity and diesel consumption in the Group's Australian data centres not under the Group's operational control as defined under the National Greenhouse and Energy Reporting Act. Source of emissions factors: NGA (2019).
Scope 3 – Transport (Australia operations)	Indirect emissions from rental car and taxi use, business use of private vehicles, dedicated bus service, business flights, and indirect emissions from business use of our tool-of-trade vehicle fleet. Source of emissions factors: NGA (2019) and DEFRA (2019) for flights.
Scope 3 – Hotel accommodation (Australia operations)	Indirect emissions from hotel accommodation used by employees and calculated based on the value of the spend on accommodation. Source of emissions factors: Energetics (2020).
Scope 3 – Transmission and distribution losses (Australia operations)	Indirect emissions associated with the electricity used by ATMs, retail, commercial and residential properties under the Group's operational control in Australia. Source of emissions factors: NGA (2019).
Scope 3 – Office paper (Australia operations)	Indirect emissions generated from the Group's use of office paper in the Group's commercial operations and retail branches under the Group's operational control in Australia. Source of emissions factors: DEFRA (2019).
Scope 3 – Base building (Australia operations)	Indirect emissions generated from CBA's proportion (by net lettable area) of base building electricity and natural gas usage for the Group's Australian Commercial offices. Source of emissions factors: NGA (2019).
Headcount	Total number of employees, including permanent headcount (full-time, part-time, job share, on extended leave), and contractors (fixed term arrangements) paid directly by the Group as at 30 June.
Health, safety and wellbeing training	Number of employees who completed health, safety and wellbeing training, as recorded in the Group's learning management system (PeopleLink) as at 30 June, measured by headcount. Excludes Aussie Home Loans, Bankwest and ASB businesses in New Zealand.
Indigenous Customer Assistance Line (calls received)	Number of calls received via the dedicated Indigenous Customer Assistance Line (ICAL) during the 12 months to 30 June. It excludes calls that were abandoned by customers.
Indigenous workforce	Represents the proportion of employees that have indicated they most strongly identify with Australian Aboriginal and/or Torres Strait Islander ancestry in the Group's biannual people and culture survey. It excludes businesses in Indonesia. Aboriginal and Torres Strait Islander representation in Australia is based on the 2016 Australian Census.
Lost Time Injury Frequency Rate (LTIFR)	LTIFR is the reported number of occurrences of lost time arising from injury or disease that have resulted in an accepted workers compensation claim, for each million hours worked by Australia and New Zealand employees. The metric captures claims relating to permanent, casual and contractors paid directly by the Group. It is reported using the information available as at 30 June. FY19 has been restated due to claims received after year-end reporting date. New Zealand employees included from FY18.
Low carbon funding	Financing provided to low carbon assets is based on total committed exposure (TCE) or total drawn lending facility (TDLF) as at 30 June. The Group's low carbon funding target is $15bn by 2025. Asset categories include large-scale renewable energy projects (based on TCE), low carbon commercial buildings (based on TCE and 6 star NABERS rating criteria), low carbon transport (based on TDLF) and energy efficient assets (includes small-scale renewable energy assets, based on TDLF). For the full definition, including definitions of each asset category, refer to the Non-financial performance metrics excel spreadsheet at www.commbank.com.au/CRreporting
Misconduct breaches resulting in termination	Represents closed substantiated misconduct cases which resulted in termination and were managed in Australia by the Workplace Relations and Group Investigations teams. Various policies within the Group govern staff conduct obligations, including the 'Code of Conduct' which is the guiding framework for the Group. It excludes incidents reported by local associates and joint ventures.
Net Promoter Score (NPS)	Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Co Inc., Satmetrix Systems, Inc., and Fred Reichheld. See more on page 298.

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Metric	Description
NPS – ASB – Business and rural banking	Business Finance Monitor Net Promoter Score measures the net likelihood of recommendation to others of the business or rural customer's Main Financial Institution. Using a scale of 1 to 10 (1 means 'extremely unlikely' and 10 means 'extremely likely'), the 1-6 raters (detractors) are deducted from the 9-10 raters (promoters). Four quarter rolling average data is used. The ranking refers to ASB's position relative to the other main three New Zealand banks.
NPS – ASB – Retail banking	Retail Market Monitor Net Promoter Score measures the net likelihood of recommendation to others of the customer's Main Financial Institution. Using a scale of 1 to 10 (1 means 'extremely unlikely' and 10 means 'extremely likely'), the 1-6 raters (detractors) are deducted from the 9-10 raters (promoters). 11 month rolling average data has been used pending the build-up of a continuous 12 month sample. The ranking refers to ASB's position relative to the other main four New Zealand banks.
NPS – Bankwest – Business	DBM Business Net Promoter Score measures the net likelihood of recommendation to others of the customer's Main Financial Institution. Using a scale of 0 to 10 (0 means 'extremely unlikely' and 10 means 'extremely likely'), the 0-6 raters (detractors) are deducted from the 9-10 raters (promoters). 6 month rolling average data is used. Businesses with lending under $500,000 nationally or lending over $500,000 in West Australia are included in the metric.
NPS – Bankwest – Retail	DBM Consumer Main Financial Institution (MFI) Net Promoter Score. Australian Population 14+ (from Aug 16; 18+ for data prior). Refers to customers' likelihood to recommend their MFI using a scale from 0-10 (where 0 being 'Not at all likely' and 10 being 'Extremely likely') and is calculated by subtracting the percentage of Total Detractors (0-6) from the percentage of Promoters (9-10). Note that percentage signs are not used to report NPS 6 month rolling average. The metric is based on two of Bankwest's priority segments - Home Owner and Property Investors (HOPI) and those intending to purchase property within the next 12 months (Pre-HOPI).
NPS – CBA – Business	DBM Business Net Promoter Score measures the net likelihood of recommendation to others of the customer's Main Financial Institution. Using a scale of 0 to 10 (0 means 'extremely unlikely' and 10 means 'extremely likely'), the 0-6 raters (detractors) are deducted from the 9-10 raters (promoters). A 6-month rolling average data is used.
NPS – CBA – Consumer	DBM Consumer Main Financial Institution (MFI) Net Promoter Score. Australian Population 14+ (from Aug 16; 18+ for data prior). Refers to customers' likelihood to recommend their MFI using a scale from 0-10 (where 0 being 'Not at all likely' and 10 being 'Extremely likely') and is calculated by subtracting the percentage of Total Detractors (0-6) from the percentage of Promoters (9-10). Note that percentage signs are not used to report NPS. 6 month rolling average. CBA excludes Bankwest and Westpac excludes St George.
NPS – CBA – Internet banking	Internet banking (via the website or mobile app on a mobile phone or tablet): Roy Morgan Research. Australian population 14+ who used the internet banking services of their (self-nominated) Main Financial Institution in the last 4 weeks, rolling average of the last 6 months of spot scores as at June 2020. Rank based on comparison to ANZ, NAB and Westpac (at brand level).
NPS – CBA – Mobile app	Mobile app (via mobile app on a mobile phone or tablet): Roy Morgan Research. Australian population 14+ who used the internet banking services of their (self-nominated) Main Financial Institution in the last 4 weeks, rolling average of the last 6 months of spot scores, as at June 2020. Rank based on comparison to ANZ, NAB and Westpac (at brand level).
Office paper	A3 and A4 office paper used in retail and commercial operations under the Group's operational control. Invoiced reams of paper used to estimate usage as a weight. Excludes operations outside Australia.
Privacy complaints	Number of privacy related complaints escalated to the Office of the Australian Information Commissioner (OAIC) for the Group, excluding Aussie Home Loans, Bankwest and ASB businesses in New Zealand. This includes complaints that have been through the Bank's internal dispute resolution process and have escalated to the OAIC, or have been raised directly with the OAIC. These complaints are recorded in the Group's feedback management system (Firstpoint) and are managed by Group Customer Relations.
Program implementation costs	Total costs incurred by the Group to implement community investment programs and manage the Indigenous Customer Assistance Line call centre, the Corporate Affairs team, Women in Focus, school programs as well as other not-for-profit activities. These costs include salary and wages, occupancy, IT and other administration costs. It excludes Aussie Home Loans.

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Metric	Description
Purchased electricity	Purchased electricity used in Australian retail and commercial properties under operational control, two data centres under operational control and two data centres outside operational control.
Renewable energy via power purchase agreements or retail contracts	Energy value of purchased electricity that has been sourced through power purchase agreements or renewable electricity retail contracts.
School banking students (active)	The number of active students who participated in the Commonwealth Bank's School Banking program during the 12 months to 30 June. Active students are those who banked at least once during the 12 month period through the School Banking Portal under the School Banking program.
SpeakUP Program cases	Number of SpeakUP cases recorded in the Group's SpeakUP Program during the 12 months to 30 June. The reports include both whistleblower and non-whistleblower disclosures.
Start Smart students (booked)	Number of students booked to attend the Commonwealth Bank's Start Smart financial education programs during the 12 months to 30 June. Start Smart sessions cover a range of topics and the same student may be booked to attend a number of sessions.
Substantiated misconduct cases	Represents closed substantiated misconduct cases managed in Australia by the Workplace Relations and Group Investigations teams. Various policies within the Group govern staff conduct obligations, including the 'Code of Conduct' which is the Group's guiding framework. It excludes incidents reported by local associates and joint ventures.
Time volunteering	Total estimated cost of pro bono and volunteering hours contributed by Australia-based CBA employees through volunteering activities as captured in the Group's volunteering database. Average hourly rates are calculated using Australia-based permanent employees' salaries as at 30 June, excluding the salary of the executive leadership and management teams.
Total community investment	Total voluntary investment contributed to communities in the form of cash contributions, time volunteering, forgone revenue and program implementation costs.
Training completion rates – Code of Conduct	Percentage of employees who have been assigned and completed the 'Code of Conduct' learning module recorded in the Group's learning management system (PeopleLink) as at 30 June. This metric excludes the training completion rates of the employees of Aussie Home Loans, Bankwest and ASB businesses in New Zealand. Numbers prior to FY19 are for completion of 'Our Commitments' training.
Training completion rates – mandatory learning	Percentage of employees who have been assigned and completed the Group's mandatory learning modules recorded in the Group's learning management system (PeopleLink) as at 30 June. This metric excludes the training completion rates of the employees of Aussie Home Loans, Bankwest and ASB. The Group's mandatory learning modules are Anti-Bribery and Corruption, Anti-Money Laundering and Counter-Terrorism Financing, Code of Conduct, Conflicts of Interest, Fraud, Security and Privacy, Resolving Customer Complaints, Workplace Conduct and Health and Safety.
Training hours	This represents the total completed training hours recorded in the Group's learning management system (PeopleLink) as at 30 June. Training hours are allocated to each training item such as face-to-face or online training. Executive Managers, General Managers, Executive General Managers and the Chief Executive Officer are included in 'Executive Managers and above' and 'Others' includes team managers and team members. This metric excludes the training completion rates of the employees of Aussie Home Loans, Bankwest and ASB businesses in New Zealand.
Training hours per employee	This metric represents the average completed training hours per employee that is recorded in CBA's learning management system (PeopleLink) as at 30 June, measured by headcount. This metric excludes the training completion rates of the employees of Aussie Home Loans, Bankwest and ASB businesses in New Zealand.
Water	Water consumption includes tenanted usage from CBA and Aussie Home Loans commercial buildings in Australia. As at 30 June 2020, 51% of water usage is based on invoiced amounts, the remainder is estimated based on an average usage per m2 of net lettable area. From FY18, water related metrics are reported on all commercial buildings. FY17 and FY16 were reported for nine commercial buildings. It includes invoiced water use for the two data centres that are under the Group's operational control.
Whistleblower cases	Number of whistleblower cases on-boarded into the Group's SpeakUP Program during the 12 months to 30 June.

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Metric	Description
Women in Executive Manager and above roles	The percentage of roles at the level of Executive Manager and above filled by women, in relation to the total headcount at these levels as at 30 June. Excludes ASB businesses in New Zealand.
Women in Manager and above roles	The percentage of roles at the level of Manager and above (including Branch Managers) filled by women, in relation to the total headcount at this level as at 30 June. Excludes ASB businesses in New Zealand.
Women in Senior Leadership (Group Executives)	The percentage of executive roles that are currently filled by women as at 30 June. These roles are direct reports of the Chief Executive Officer with authority and responsibility for planning, directing and controlling the Group's activities. Excludes ASB businesses in New Zealand. For the list of current executives, please refer to the 2020 Annual Report pages 70-71.
Women in workforce	The percentage of roles filled by women, in relation to the total headcount as at 30 June. Excludes ASB businesses in New Zealand.

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