Commonwealth Bank of Australia
U.S. Disclosure Document

For the half year ended 31 December 2020

Report for the half year ended 31 December 2020	$M	
Revenue from ordinary activities [1, 2]	11,896	down 1%
Profit/(loss) from ordinary activities after tax attributable to Equity holders	4,877	down 21%
Net profit/(loss) for the period attributable to Equity holders	4,877	down 21%
Dividends (distributions)		
Interim dividend - fully franked (cents per share)		150
Record date for determining entitlements to the dividend		17 February 2021

1 Information has been presented on a continuing operations basis. Comparative information used to calculate the growth percentages was restated to align with the presentation in the current period. See "Disclosures-Financial Information Definitions-Basis of Preparation" and Appendix 4.9 for more information on the related restatements. The financial results of discontinued operations are excluded from the individual account lines of the Bank's performance and are reported as a single cash net profit after tax line item. Discontinued operations includes Colonial First State ("CFS"), CommInsure Life, BoCommLife, Colonial First State Global Asset Management ("CFSGAM") and PT Commonwealth Life and non-controlling interests related to discontinued operations.

2 Represents total net operating income before operating expenses and impairment.

This Report (this "Document") should be read in conjunction with:

- The Commonwealth Bank of Australia Annual U.S. Disclosure Document –Year Ended 30 June 2020 (the "2020 Annual U.S. Disclosure Document");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2020 which contains the Financial Statements for the years ended 30 June 2018, 2019 and 2020 and as at 30 June 2018, 2019 and 2020 (the "2020 Financial Report");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2019 which contains the Financial Statements for the years ended 30 June 2017, 2018 and 2019 and as at 30 June 2017, 2018 and 2019 (the "2019 Financial Report");
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosures as at 31 December 2020 (the "December 2020 Capital Disclosure Report");
- The Commonwealth Bank of Australia Recent Developments dated 26 November 2020 (the "November Recent Developments Report") which includes the Basel III Pillar 3 Capital Adequacy and Risk Disclosures as at 30 September 2020 (the "September 2020 Capital Disclosure Report");
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosures as at 30 June 2020 (the "June 2020 Capital Disclosure Report", and, together with the September 2020 Capital Disclosure Report and the December 2020 Capital Disclosure Report, the "Capital Disclosure Reports").

In each case, these are found on the U.S. Investor Website located at www.commbank.com.au/usinvestors (the "U.S. Investor Website").

The terms "Bank" and "CBA" refer to the Commonwealth Bank of Australia and the terms "Group", "we" and "our" refer to the Bank and its consolidated subsidiaries. Certain other terms used in this Document are defined in Appendix 4.8 to this Document.

This Document, the 2020 Annual U.S. Disclosure Document, the 2020 Financial Report, the Recent Developments Report, the Capital Disclosure Reports and the 2019 Financial Report are each presented in Australian dollars unless stated otherwise.

The Group's financial year ends on June 30 of each year. References to the 2020 Financial Year are to the year ended 30 June 2020 and prior financial years are referred to in a similar manner.

Except where otherwise stated, all figures in this Document relate to the half year ended 31 December 2020. The terms "prior comparative period" and "1H20" refer to the half year ended 31 December 2019, while the terms "prior half" and "2H20" refer to the half year ended 30 June 2020 and the terms "current period", "current half" and "1H21" refer to the half year ended 31 December 2020.

Except where otherwise indicated, references to "Notes" or a "Note" are to Notes or a Note, as the case may be, to the Financial Statements for the half years ended December 31, 2020, June 30, 2020 and December 31, 2019 contained in this Document (the "Financial Statements").

Segment Disclosure

The Group conducts its businesses through seven segments: Retail Banking Services; Business Banking; Institutional Banking and Markets; New Zealand; International Financial Services (IFS); Corporate Centre and Wealth Management. Balances disclosed in the "Divisional Performance", are spot balances, unless otherwise stated. Wealth Management is now classified as discontinued operations.

Contents

1.	**Disclosures**	**2**
2.	**Highlights**	**24**
3.	**Group Performance Analysis**	**32**
	Financial Performance and Business Review	33
	Net Interest Income	35
	Other Banking Income	37
	Funds Management Income	38
	Insurance Income	38
	Operating Expenses	39
	Investment Spend	40
	Capitalised Software	41
	Loan Impairment Expense	42
	Taxation Expense	43
	Group Assets and Liabilities	44
4.	**Group Operations & Business Settings**	**48**
	Loan Impairment Provisions and Credit Quality	49
	Capital	54
	Financial Systems Regulation in the United States	58
	Leverage Ratio	60
	Dividends	60
	Liquidity	61
	Liquidity and Capital Resources	62
	Funding	64
	Net Stable Funding Ratio (NSFR)	66
	Corporate Governance	67
5.	**Divisional Performance**	**69**
	Divisional Summary	70
	Retail Banking Services	72
	Business Banking	77
	Institutional Banking and Markets	81
	New Zealand	85
	International Financial Services	91
	Corporate Centre	94
	Wealth Management (Discontinued Operations)	96
6.	**Directors' Report and Financial Statements**	**98**
7.	**Appendices**	**156**

Contents

1. Disclosures

Special Note Regarding Forward-Looking Statements	3
Financial Information Definitions	4
Impact of Foreign Currency Movements	7
Critical Accounting Policies and Estimates	8
Risk Factors	10

Disclosures

Special Note Regarding Forward-Looking Statements

Certain statements under the captions “Highlights”, “Risk Factors”, “Group Performance Analysis”, “Retail Banking Services”, “Business Banking”, “Institutional Banking and Markets”, “New Zealand”, “International Financial Services”, “Corporate Centre”, “Wealth Management”, “Group Operations and Business Settings” and elsewhere in this Document constitute “forward-looking statements” with respect to the financial condition, operations and business of the Group and certain plans and objectives of the management of the Group. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include the COVID-19 pandemic and future outbreaks of other communicable diseases or pandemics, a downturn in the macroeconomic environment, extensive regulation and political scrutiny, competition and digital disruption, deteriorations in global financial markets, environmental and social risks, organisational capability and culture risks, failure to maintain capital adequacy requirements, damage to the Group’s reputation, sub-optimal investment allocation and delivery risks, including through acquisitions or divestments of businesses, credit risk exposures, operational risks, cyber-security risks, data management risks, third party risks, transaction processing risks, non-technology business disruption risks, modelling risks, fraud risks, employment risks, accounting, legal and taxation risks, compliance risks, legal liability or regulatory action against the Group, inappropriate conduct of the Group’s staff, failure to comply with financial crime legislation or privacy legislation, liquidity and funding risks, adverse financial and credit market conditions, failure to maintain adequate levels of liquidity and funding, failure to maintain credit ratings, failure to hedge effectively against market risks (including adverse fluctuations in exchange rates), insurance risk and various other factors, many of which may be beyond the Group's control. Given these risks, uncertainties and other factors, potential investors are cautioned not to place undue reliance on such forward-looking statements.

Risk factors applicable to the Group are detailed on pages 10 – 23 of this Document.

Disclosures (continued)

Financial Information Definitions

Basis of Preparation

The consolidated Financial Statements of the Group for the half years ended 31 December 2020, 30 June 2020 and 31 December 2019 comply with International Financial Reporting Standards (IFRS).

This Document, the 2020 Annual U.S. Disclosure Document, the 2020 Financial Report, the 2019 Financial Report, the Recent Developments Report and the Capital Disclosure Reports are each presented in Australian dollars, unless otherwise stated.

This Document does not include all Notes of the type included in the 2020 Financial Report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the 2020 Financial Report. As a result, this Document should be read in conjunction with the 2020 Annual U.S. Disclosure Document, the 2020 Financial Report and the 2019 Financial Report.

During the current period, the Group adopted amendments to AASB 3 'Business Combinations'. The amendments did not have an impact on the Group. Refer to Note 1.1 to the Financial Statements for further information.

Other than the above, the accounting policies and methods of computation adopted in the preparation of the Financial Statements are consistent with those adopted and disclosed in the 2020 Financial Report.

Where necessary, comparative information has been restated to conform to the presentation in the current half. Such restatements have been footnoted throughout the Financial Statements and in this Document. Refer to Appendix 4.9 to this Document for further details.

Discontinued operations and transaction update

On 2 August 2019, the Group completed the sale of Colonial First State Global Asset Management ("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").

In 2017, the Group entered into an agreement to sell 100% of its life insurance businesses in Australia ("CommInsure Life") to AIA Group Limited ("AIA"). On 1 November 2019, the Group announced the implementation of a joint cooperation agreement ("JCA") which resulted in the full economic interests associated with CommInsure Life being transferred to AIA and AIA obtaining direct management and control of the business (excluding 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 will be received in instalments. On 30 September 2020, the Group announced that ultimate completion of the divestment is expected to occur via a statutory asset transfer 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.

On 10 December 2020, the Group completed the sale of its 37.5% equity interest in BoCommLife Insurance Company Limited ("BoCommLife") to MS&AD Insurance Group Holdings, Inc. ("MS&AD") [1].

On 16 December 2020, the Group announced that it had entered into an agreement to merge Aussie Home Loans with Lendi Pty Ltd ("Lendi"). Upon completion, the Group will retain a 45% shareholding in the combined business, with existing Lendi shareholders holding the remaining 55% shareholding. The transaction is expected to complete by mid calendar year 2021.

CFS and the Group's interest in BoCommLife have been classified as discontinued operations in the Group's financial statements for the half year ended 31 December 2020. The assets and liabilities of CFS, AUSIEX and Aussie Home Loans are classified as held for sale at 31 December 2020.

Discontinued operations are excluded from the results of the continuing operations and are presented as a single line item "net profit after tax from discontinued operations" in the Consolidated Income Statement. Assets and liabilities of discontinued operations have been presented separately as held for sale on the Consolidated Balance Sheet.

Refer to Note 7.3 to the Financial Statements for further information.

Non-GAAP Financial Measures

In addition to its statutory financial results reported in this Document, the 2020 Financial Report and the 2019 Financial Report which are prepared in accordance with IFRS, the Group reports and describes certain "non-GAAP financial measures" (as defined by the U.S. Securities and Exchange Commission's Regulation G) of the financial performance and results of the Group. These non-GAAP financial measures are not calculated in accordance with IFRS. This Document and the 2020 Annual U.S. Disclosure Document contain reconciliations of these non-GAAP financial measures to the Group's financial results prepared in accordance with IFRS.

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

Disclosures (continued)

Financial Information Definitions (continued)

Non-GAAP Financial Measures (continued)

Net Profit after Tax

The management discussion and analysis in this Document presents Net profit after tax on both a “statutory basis” and a “cash basis”.

Net profit after tax (“statutory basis”) is prepared in accordance with the Corporations Act 2001 (Cth) (the “Corporations Act”) and the Australian Accounting Standards, which comply with IFRS. References to “statutory profit”, “statutory net profit after tax” or “statutory earnings” in this Document have the same meaning as “Net profit after tax (“statutory basis”)”.

Net profit after tax (“cash basis”) is a non-GAAP financial measure that is defined by management as net profit after tax and non-controlling interests, before non-cash items including, hedging and IFRS volatility, and losses or gains on acquisitions, disposal, closure and demerger of businesses. Net profit after tax (“cash basis”) is management’s preferred measure of the Bank’s financial performance. This measure is used by management to present what it believes to be a clear view of the Group’s underlying operating results, excluding certain items that the Group believes introduce volatility and/or one-off distortions of the Group’s performance. These items, such as hedging and IFRS volatility, are calculated consistently period on period and do not discriminate between positive and negative adjustments. A reconciliation of the Net profit after tax (“cash basis”) to Net profit after tax (“statutory basis”) by business segment is provided in Note 2.4 to the Financial Statements included in this Document. A list of items excluded from Net profit after tax (“cash basis”) and their description is set out on page 26 of this Document. References to “cash profit” or “cash earnings” in this Document have the same meaning as “Net profit after tax (“cash basis”)”.

Other Non-GAAP Financial Measures

Other non-GAAP financial measures included in this Document are:

- Earnings per share (“cash basis”) – the Group presents its earnings per share on both a statutory and a cash basis. Earnings per share (“cash basis”) is defined by management as Net profit after tax (“cash basis”) as described above, divided by the weighted average number of the Group’s ordinary shares (“cash basis”) over the relevant period. The weighted average number of shares (“cash basis”) incorporates an adjustment for the bonus element of any rights issue, discount element of any dividend rights plan, and excludes treasury shares related to investments in the Bank’s shares held by the employee share scheme trust.
- The dividend payout ratio and dividend cover are presented on both a statutory and cash basis. The dividend payout ratio (“statutory basis”) is calculated by dividing the dividends paid on the Group’s ordinary shares by the net profit after tax (“statutory basis”), net of dividends on other equity instruments. The dividend payout ratio (“cash basis”) is calculated by dividing the dividends paid on the Group’s ordinary shares by net profit after tax (“cash basis”), net of dividends on other equity instruments. “Dividend cover – statutory” is calculated as net profit after tax (“statutory basis”) net of dividends on other equity instruments, divided by dividends on the Group’s ordinary shares for the applicable period. “Dividend cover – cash” is calculated as net profit after tax (“cash basis”) net of dividends on other equity instruments, divided by dividends on the Group’s ordinary shares for the applicable period. These ratios are provided on both a statutory and cash basis because net profit after tax, the primary component of these ratios, is also presented on a statutory and cash basis, for the reasons described above.

Impact of COVID-19

During the 2020 Financial Year and the current half we have seen the onset and continuation of the COVID-19 pandemic, with the depth and duration of an economic downturn dependent on the effectiveness of containment measures and the Australian Government, Governments world-wide, prudential and industry response and support measures, and the development and distribution of effective vaccines. Uncertainty continues to exist regarding the duration and severity of COVID-19 impacts and the associated disruption to the domestic and global economy.

We believe the Bank is positioned well for a range of possible economic scenarios, but we cannot accurately predict the impact on the Bank of the COVID-19 pandemic. 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 remains difficult to predict at this stage. We continue to monitor our lending portfolios closely, with detailed portfolio stress testing forming the basis for ongoing re-assessments of provisioning levels as the situation continues to evolve. The focus for the Bank continues to be supporting our customers.

The Group has carefully considered the impact of COVID-19 in preparing its Financial Statements, including the application of critical estimates and judgements. The key impacts on the financial statements are as follows:

- Provisions for impairment (refer to Note 3.2 to the Financial Statements included in this Document);
- Assessment of impairment of non-financial assets.

The Group assessed Property, plant and equipment, right-of-use assets, and assets held as lessor for indicators of impairment. Due to the prolonged impact of COVID-19 on the global aviation sector and the protraction of international travel restrictions, a further impairment of several aircraft of $124 million was recognised, which is presented within Other banking income. In determining the value in use of the aircraft, the Group incorporates the cash flows over the lease term, as well as the expected selling price on expiry of the lease. Continued market disruption across the aviation industry, lower demand for used aircraft, and a decline in asset prices, resulted in a reduction in the assets’ expected recoverable values below their carrying values. There remains significant uncertainty regarding the severity of the impact of COVID-19 on the aviation sector, and the duration of restrictions on domestic and international travel.

The Group has extended a number of support measures to customers impacted by COVID-19, including loan repayment deferrals, switches from principal and interest repayments to interest only repayments and other modifications including the extension of loan

Financial Information Definitions (continued)

Impact of COVID-19 (continued)

maturity dates. The Bank recognised approximately $270 million of interest related to retail loans in deferral (June 2020: $310 million) and approximately $15 million of interest related to non-retail loans in deferral (June 2020: $150 million). Deferral extensions were treated as non-substantial modifications and therefore accounted for as a continuation of the existing loan with no material modification gains or losses having been recognised. Other contract modifications are treated as substantial or non-substantial based on the terms on which they are granted.

During the half year ended 31 December 2020 loans with a gross carrying value of approximately $10,303 million were granted COVID-19 related repayment deferrals or other contractual modifications when they were included in either Stage 2 or Stage 3 (30 June 2020: $26,886 million). Loans with a gross carrying value of approximately $23,281 million, that were subject to COVID-19 related modifications when in Stage 2 or Stage 3, remained in either Stage 2 or Stage 3 at 31 December 2020 (30 June 2020: $25,179 million). For more information, refer to Note 3.2 to the Financial Statements included in this Document.

The impact of the COVID-19 pandemic on our historical results and expected impact on our operations going forward are discussed further in the 2020 U.S. Annual Disclosure Document, the 2020 Financial Report and throughout this Document.

Impact of Foreign Currency Movements

The Group's consolidated financial results are presented in Australian dollars. In order to prepare the Group's consolidated financial results, the financial results of any reporting entities of the Group with a functional currency other than Australian dollars are translated into Australian dollars for each reporting period. As foreign exchange rates are subject to change, the Group's financial results can be affected by the prevailing rate of the Australian dollar at the time of such translations. The effects of these translations on various segments of the Group's business are noted throughout this Document.

The movement of the Australian dollar against the following currencies is highlighted in the table below.

Exchange Rates Utilised [1]	Currency	As at		
		31 Dec 20	30 Jun 20	31 Dec 19
AUD 1.00 =	USD	**0. 7705**	0. 6854	0. 7004
	EUR	**0. 6270**	0. 6114	0. 6253
	GBP	**0. 5657**	0. 5584	0. 5341
	NZD	**1. 0667**	1. 0705	1. 0409
	JPY	**79. 4750**	73. 8002	76. 1235

Average Exchange Rates Utilised [2]	Currency	Half Year Ended		
		31 Dec 20	30 Jun 20	31 Dec 19
AUD 1.00 =	USD	**0. 7228**	0. 6585	0. 6846
	EUR	**0. 6123**	0. 5972	0. 6170
	GBP	**0. 5536**	0. 5218	0. 5440
	NZD	**1. 0727**	1. 0497	1. 0589
	JPY	**76. 0995**	71. 2627	73. 9688

1 Unless noted otherwise, rates are sourced from Bloomberg and are End of day, Sydney time.
2 Unless noted otherwise, rates are the six month period average of End of day, (Sydney time) rates sourced from Bloomberg.

The Group hedges foreign currency exposures on debt issues and significant foreign currency earnings exposures in offshore locations.

For further information regarding the composition of the Group's income by location please refer to Note 2.4 to the Financial Statements included in this Document.

Critical Accounting Policies and Estimates

The application of the Group's accounting policies requires the use of judgement, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and are reviewed on an ongoing basis. Actual results may differ from these estimates, which could impact the Group's net assets and profit.

Where applicable, each note in the 2020 Financial Report discloses the accounting policy for the transactions and balances, which provides information to assist in the understanding of how the numbers are measured, recognised and disclosed. An explanation of these policies and the related critical accounting judgements and estimates applied by the Group is set out below. For further information regarding the Group's accounting policies, see Notes 1.1 to 7.4 to the Financial Statements included in this Document and Notes 1.1 to 12.6 to the 2020 Financial Report.

Provisions for Impairment of Financial Assets

When estimating the provisions for impairment, management judgement was applied in respect of forecasting forward-looking scenarios. Forward-looking information is incorporated into both the Group's assessment of whether there has been a significant increase in credit risk ("SICR") event and in its estimate of expected credit losses ("ECL"). Refer to Note 3.2 to the Financial Statements included in this Document for further information.

Sensitivity of provisions for impairment to changes in forward looking assumptions

The Group applies four alternative macro-economic scenarios (Central, Upside, Downside and Severe downside scenarios) to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL.

The table below provides approximate levels of provisions for impairment under the Central and Downside scenarios assuming 100% weighting was applied to each scenario and holding all other assumptions constant. These scenarios and their associated weights have been selected based on the expected range of potential future loss outcomes.

	31 Dec 20 $M	30 Jun 20 $M
100% Central scenario	5,022	5,262
100% Downside scenario	8,978	9,014

Sensitivity of provisions for impairment to SICR assessment criteria

If 1% of Stage 1 credit exposures as at 31 December 2020 was included in Stage 2, provisions for impairment would increase by approximately $136 million (30 June 2020: $108 million).

If 1% of Stage 2 credit exposures as at 31 December 2020 was included in Stage 1, provisions for impairment would decrease by approximately $31 million (30 June 2020: $29 million).

Provisions (Other than Impairment of Financial Assets)

Provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated. Where the effect of the time value of money is material, the amount of the provision is measured as the present value of expenditures required to settle the obligation, based on a market observable rate. Where a provision is not recognised, a contingent liability may exist. A contingent liability is a possible obligation whose existence will be confirmed only by one or more uncertain future events, or a present obligation where an outflow of economic resources is not probable or the obligation cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet, but are disclosed unless an outflow of economic resources is remote. Refer to Note 7.1 to the Financial Statements included in this Document for further information.

Leases

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.

Consolidation of Structured Entities

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.

Financial Instruments at Fair Value

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

Critical Accounting Policies and Estimates (continued)

Financial Instruments at Fair Value (continued)

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 de-recognition of the instrument, as appropriate.

Valuation techniques are used to estimate the fair value of financial instruments. 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. Refer to Note 6.1 to the Financial Statements included in this Document for further information.

Goodwill

Goodwill is allocated to cash generating units whose recoverable amount is calculated for the purpose of impairment testing. The recoverable amount calculation relies primarily on publicly available earnings multiples.

Taxation

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. For such uncertainties, the Group has estimated its 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. Refer to Note 2.5 to the Financial Statements included in this Document for further information.

Superannuation Obligations

The Group currently sponsors two defined benefit superannuation plans for its employees. Actuarial valuations of the plans' obligations and fair value of the plans' assets are performed semi-annually.

The actuarial valuations of plan obligations are dependent on a series of assumptions, including inflation rates, discount rates, and salary growth rates. Changes in these assumptions impact the carrying amounts of the plans' obligations, assets, superannuation expense and actuarial gains and losses recognised in Other Comprehensive Income. Refer to Note 2.3 to the Financial Statements included in this Document for further information.

Trail Commission Revenue

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. Refer to Note 2.2 to the Financial Statements included in this Document for further information.

Effective Interest Rate

When applying the effective interest method the Group has estimated the behavioural term of each loan portfolio by reference to historical prepayment rates and the contractual maturity. Refer to Note 3.1 to the Financial Statements included in this Document for further information.

Risk Factors

This section describes the principal risk factors that could materially affect the Group's businesses, its revenues, operating income, net income, net assets, liquidity, funding, reputation and capital resources.

The Group seeks to adopt a comprehensive approach to risk management through its Risk Management Framework. This framework encompasses the governance and reporting processes, risk policies and procedures, risk infrastructure (risk systems, tools and processes), and people to enable the Group to effectively identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk.

As part of its Risk Management Framework, the Group categorises risks that could have a material financial or non-financial impact on the Group into Material Risk Types based on the nature of their impacts. These Material Risk Types are listed below in the order that management and the Board believes reflect the current materiality of these risks to the Group, and includes: strategic risk, credit risk, operational risk, compliance risk, liquidity and funding risk, market risk and insurance risk. Within certain of these Material Risk Type categories, management and the Board have identified sub-risk types. Where applicable, those sub-risk types are set forth within the Material Risk Type categories in the order that management and the Board believes reflect the materiality of those sub-risk types to the Group.

These risk factors should not be regarded as a complete and comprehensive statement of all of the potential risks and uncertainties that the Group faces. Additional risks that may emerge in the future, or that the Group currently considers to be immaterial, may also become important risks that affect the Group. If any of the listed or unlisted risks actually occur, the Group's business, financial condition, liquidity, operations, prospects or reputation could be materially and adversely affected. The risk factors below should be considered in connection with the "Special Note Regarding Forward-Looking Statements" on page 3 of this Document. Notes 9.1 through 9.4 of the 2020 Financial Report provide details on how the Group manages its credit, market, and liquidity and funding risks.

1 Strategic Risk

1.1 The Group's results could be adversely impacted by key strategic risks arising from changes in the Group's external and internal operating environment

Strategic risk is the risk of material value destruction or less than planned value creation, due to changes in the Group's external and internal operating environment. Dynamically evolving current or emerging risks, such as the COVID-19 pandemic, the competitive landscape, emerging technologies, macroeconomic conditions, and the regulatory and political environment can challenge the business model and profitability assumptions underlying the Group's strategy. While the Board regularly monitors and discusses the Group's operating environment, strategic objectives and implementation of major strategic initiatives, there can be no assurance that such objectives and initiatives will be successful or that they will not adversely impact the Group.

1.1.1 The COVID-19 pandemic and future outbreaks of other communicable diseases or pandemics may materially and adversely affect the business, results of operations, financial condition and prospects of the Group

The coronavirus, which emerged in December 2019 and is referred to as "COVID-19", has resulted in governments worldwide, including in Australia and New Zealand, enacting emergency measures to combat the spread of the virus. These emergency measures included wide ranging restrictions on, suspensions of, or advice against, regional and international travel, gatherings of groups of people, as well as prolonged closures of workplaces and many other normal activities. Substantial and costly monetary and fiscal interventions designed to stabilize the significant increase in volatility experienced in sovereign nations and financial markets have been undertaken.

Although some nations, including Australia, have begun vaccination programs, there is ongoing uncertainty regarding the duration and severity of the impact of COVID-19 and the associated disruption to the Australian and global economy. The full extent of the duration and impact of the COVID-19 outbreak is currently unknown, as is the efficacy of the measures implemented by governments and central banks in response to COVID-19. The Group expects that there may be challenging economic conditions ahead, which may have a material adverse impact on the Group's financial condition as a result of, among other factors, increased credit losses from business insolvencies, higher consumer defaults and slower overall credit and economic growth. The Group's provisions for impairment loss at 31 December 2020 were $6,815 million, an increase of $1,789 million or 36% on the prior comparative period, reflecting uncertainty in the economic outlook and emerging industry sector risks, in particular aviation and commercial property, as well as other sectors reliant on discretionary spending, mainly due to COVID-19. In particular, due to the prolonged impact of COVID-19 on the global aviation sector and the protraction of international travel restrictions, the Group recognized a further impairment loss of $124 million in relation to certain aircraft owned by the Group and leased to various airlines. 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 Note 1 to the Financial Statements in this Document for further information.

In response to the COVID-19 pandemic, the Group established a range of temporary measures designed to assist its personal and business customers, including loan repayment deferrals, switches from principal and interest repayments to interest only repayments and other modifications including the extension of loan maturity dates. During the current half, loans with a gross carrying value of approximately $10,303 million were granted COVID-19 related repayment deferrals or other contractual modifications. These accommodations and measures, while supporting the Group's customers, may in turn have a negative impact on the Group's business, results of operations, financial condition and prospects, may negatively impact the Group's net interest margin, and may result in the Group assuming a greater level of risk than it would have under ordinary circumstances and the Group's business, results of operations, financial condition and prospects may be materially and adversely affected as a result. In the longer term, asset values may start to deteriorate if a large quantity of retail and business customers liquidate their investments, either during, or immediately after, the crisis or due to a decrease in demand for these assets. In both

Risk Factors (continued)

1 Strategic Risk (continued)

scenarios, loan-to-value ratios may be negatively impacted. Refer to Note 3.2 to the Financial Statements included in this Document for further information.

The COVID-19 pandemic has caused substantial volatility in the financial markets and such volatility may continue. A deterioration of public finances of sovereigns in response to COVID-19 may lead to increased volatility and widening of credit spreads. COVID-19 has also affected, and can be expected to continue to affect, the Group's ability to continue its operations without interruption or delays due to restricted access to premises, contagion management and travel restrictions. Any related illness or quarantine of the Group's employees or contractors or suspension of the Group' business operations could affect the Group's business, results of operations, financial condition and prospects.

The COVID-19 pandemic has also increased geopolitical risk. Continuing tensions between countries, including between Australia and China, and policy uncertainty could have a material adverse impact on the Group's financial condition or its ability to execute its strategic initiatives as a result of, among others, further downturns in the domestic and global economies.

The ramifications of COVID-19 are highly uncertain and difficult to predict. All or any of the negative conditions related to the COVID-19 pandemic described above may cause a further reduction in demand for the Group's products and services and/or an increase in loan and other credit defaults, bad debts, and impairments and/or an increase in the cost of the Group's operations. Should these occur, it is likely that they will result in a material adverse effect on the Group's business, results of operations, financial condition and prospects. COVID-19, and the volatile regional and global economic conditions stemming from the pandemic, as well as reactions to future pandemics or resurgences of COVID-19, could also precipitate or aggravate the other risk factors described below, which in turn could materially adversely affect the Group's business, results of operations, financial conditions and prospects.

1.1.2 The Group may be adversely impacted by a downturn in the macroeconomic environment, particularly in the Australian or New Zealand economies

As the Group's businesses are primarily located in Australia and New Zealand, its performance is largely dependent on the state of these economies, customer and investor confidence, and prevailing market conditions in these two countries. While the future impact of the economic disruption caused by COVID-19, and the future governmental responses to it, remain uncertain, the Group may be materially adversely affected by a protracted downturn in economic conditions globally and, in particular, in Australia and New Zealand, which in turn are impacted by events in the global economy.

As a result of the COVID-19 pandemic, major disruptions to community health and economic activity are having wide ranging negative effects across most business sectors in Australia, New Zealand and globally. This in turn has resulted in a deterioration of the quality of the Group's credit portfolio and impacted demand for the Group's products and services. For example, credit card, retail foreign exchange and deposit income has declined primarily due to a decline in spend and transaction volumes due to the impact of COVID-19.

Additionally, many of the Group's customers have been negatively impacted by the COVID-19 pandemic and the Group is exposed to an increased risk of credit loss from borrowers, particularly those borrowers in the following sectors: transportation (including airlines, shipping, road and rail); ports, tourism and travel (including accommodation, food and beverage); healthcare; agriculture; retail (including e-commerce due to a reduction in logistics activity); property (particularly shopping malls and hotels); construction and contractors; and distribution and logistics. Additionally, COVID-19 has resulted in a disruption to global supply chains, a downturn in the global economy, and increased levels of unemployment. As a result, protectionist policies by nations could increase, which could elevate geopolitical tensions and result in further trade breakdowns or possible hostile or terrorist acts. This would create further uncertainty for businesses and impact global economic conditions. See "The Group's results could be adversely impacted by key strategic risks arising from changes in the Group's external and internal operating environment" on page 10, for further discussion on the risks COVID-19 poses to the Group.

The Group can give no assurances as to the likely future conditions of the Australian and New Zealand economies, which can be influenced by many factors within and outside these countries, which are outside of its control, including domestic and international economic events, political events, natural disasters and any other events that impact global financial markets. China is one of Australia's major trading partners and a significant driver of commodity demand and prices in many of the markets in which the Group and its customers operate. Geopolitical tensions and other events that have adversely affected China's economic growth and Australia's economic relationship with China, including the implementation of tariffs and other protectionist trade policy, have adversely affected Australian economic activity and, as a result, could adversely affect the Group's business, financial condition, operations and prospects.

A material downturn in the Australian or New Zealand economies could adversely impact the Group's future results by reducing customers' demand for the Group's products and borrowers' ability to repay their loans to the Group (i.e. credit risk). In particular, given the Group's concentration of earnings from home loans, a significant or sustained decrease in the Australian and New Zealand housing markets or property valuations, including from external factors such as COVID-19 or tightening lending standards, could adversely affect the Group's home and commercial loans portfolio, result in a decrease of the amount of new lending that the Group can underwrite and/or increase the losses that the Group may experience from existing loans. These factors could adversely affect the Group's business, financial condition, operations and prospects.

The strength of the Australian economy is influenced by the value of the Australian dollar. Significant movements in the value of the Australian dollar may adversely impact parts of the Australian economy and, in turn, the Group's results of operations. See "Failure to hedge effectively against market risks (including adverse fluctuations in exchange rates) could

Risk Factors (continued)

1 Strategic Risk (continued)

negatively impact the Group's results of operations" on page 22 for more information.

The demand for residential property may also decline due to buyer concerns about decreases in value, regulatory or tax changes or concerns about rising interest rates, which could impact demand for the Group's home lending products. If regulators impose supervisory measures that impact the Group's mortgage lending practices or if Australian housing price growth significantly subsides or property valuations decline, the demand for the Group's home lending products may decrease and loan defaults could increase due to declining collateral values. This would adversely affect the Group's business, operations and financial condition.

Adverse impacts on the Group's commercial loan portfolio could emanate from lower levels of new origination activity and increased losses due to deteriorating security values and a less active refinancing market. A material decline in residential housing prices could also cause increased losses from the Group's exposures to residential property developers, particularly if such developers' customers that are pre-committed to purchase the completed dwellings are unable or unwilling to complete their contracts and the Group is forced to sell these dwellings for less than the pre-committed contract price.

1.1.3 The Group is subject to extensive regulation and operates in an environment subject to political scrutiny, which could adversely impact its operations and financial condition

The Group and its businesses are subject to extensive regulation in Australia by multiple regulatory bodies as well as by other regulators in jurisdictions in which the Group operates or obtains funding, including New Zealand, the United Kingdom, the United States, China, Japan, Europe, Singapore, Hong Kong and Indonesia.

Key domestic regulators include Australian Prudential Regulation Authority ("APRA"), the Australian Securities and Investments Commission ("ASIC"), the Australian Transaction Reports and Analysis Centre ("AUSTRAC"), the Office of the Australian Information Commissioner ("OAIC"), the Australian Competition and Consumer Commission ("ACCC"), the Australian Financial Complaints Authority, the Reserve Bank of Australia ("RBA") and the Australian Securities Exchange ("ASX").

APRA is the Australian regulator responsible for the prudential supervision of Australian Authorised Deposit-taking Institutions ("ADIs"), of which CBA is one. As the Group's prudential regulator in Australia, APRA has very wide powers under the *Banking Act 1959* (Cth) (*the "Banking Act*"), including in limited circumstances to direct banks (including CBA) not to make payments on its securities.

In addition to its key Australian regulators, a range of international regulators and authorities supervise and regulate the Group in respect of, among other areas, capital adequacy, liquidity levels, funding, provisioning, insurance, compliance with prudential regulation and standards, accounting standards, remuneration, data access, securities exchange listing requirements, and the Group's compliance with relevant financial crime, sanctions, privacy, taxation, competition, consumer protection and securities trading laws. The Group and the wider financial services industry are facing increased regulation and scrutiny in many of these areas and jurisdictions and changes or new regulation in one part of the world could lead to changes elsewhere.

Any change in law, regulation, accounting standards, policy or practice of regulators, or failure to comply with laws, regulations or policy, may adversely affect the Group's business, financial condition, liquidity, operations, prospects and reputation, and its ability to execute its strategy, either in the short-term or the long-term. The potential impacts of regulatory change are extensive, and could include increasing the levels and types of capital that the Group is required to hold and restricting the way the Group can conduct its business and the nature of that business, such as the types of products that it can offer to customers.

The COVID-19 pandemic or similar pandemics could impact the Group's ability to manage regulatory change. The COVID-19 pandemic has resulted in deferral of regulatory changes by regulators, which may increase the risk of the Group not complying with new regulations when they come into effect, due to compressed timeframes to implement regulatory change initiatives. The response to COVID-19 has also seen new legislation and regulation introduced which applies to CBA, which may increase compliance risks. The Group may also incur significant costs responding to this new legislation and regulation.

The Group may also be adversely affected if the pace or extent of such regulatory change exceeds its ability to adapt to such changes and embed appropriate compliance processes adequately. The pace of regulatory change has accelerated in recent years. The fast pace of regulatory change means that the regulatory context in which the Group operates is often uncertain and complex.

Actions taken by regulators in response to the COVID-19 pandemic have impacted, and may continue to impact, the Group. As an example, regulators in some overseas jurisdictions have exercised their powers to prevent banks from declaring dividends or undertaking share buy-backs. In New Zealand, the Reserve Bank of New Zealand ("RBNZ") made the decision to freeze the distribution of dividends on ordinary shares by New Zealand incorporated registered banks during the period of economic uncertainty caused by COVID-19. This prevents the Group's subsidiary, ASB Bank, from paying dividends which impacts the Group's Level 1 CET1 capital ratio.

Regulatory reforms

Examples of significant regulatory reform under development in Australia include a review of Open Banking (as defined below), APRA's proposals to revise the capital framework for ADIs and the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019 (Cth).

- In 2019, the Australian Government legislated for an economy-wide Consumer Data Right ("CDR") to give consumers access to and control over their data. Monitoring and enforcement of the CDR regime are jointly conducted by the ACCC and the OAIC. The CDR regime initially applies to banking (referred to as "Open Banking"). The Open Banking requirements are

Risk Factors (continued)

1 Strategic Risk (continued)

being implemented, and will apply progressively to banks and other participants, for different categories of data and disclosure methods, across multiple stages from 2020 to 2022. The requirements involve complex system and application programming interface builds, rigorous security requirements and extensive testing requirements, including end-to-end internal and industry testing. The Open Banking requirements represent significant delivery and operational risks, which have been elevated by the COVID-19 pandemic. The reforms are intended to increase competition in the financial sector and improve customer outcomes. Increased competition resulting from Open Banking may adversely impact the Group's business and financial condition.

- In December 2020, APRA announced a series of proposed changes designed to increase risk sensitivity, enhance the ability to respond flexibly to future stress events, and to improve the comparability of the Australian framework with international standards. APRA's proposals include higher regulatory capital buffers, with the countercyclical buffer set at 100 basis points (currently 0 basis points) for all ADIs and the capital conservation buffer increasing from 250 basis points to 400 basis points for Internal Ratings-based ("IRB") ADIs such as CBA. These proposals will result in changes to the calculation of the Group's risk-weighted assets ("RWA") and will, therefore, impact the presentation of bank capital ratios, including CBA's Common Equity Tier 1 ("CET1") ratio. APRA expects that capital ratios will increase, as the amount of RWA will likely fall. APRA further reiterated that it is targeting a capital outcome in dollar terms that remains consistent with the "unquestionably strong" capital benchmark. APRA intends to implement these changes on 1 January 2023. The finalisation of these proposals may have implications for the CCyB which may affect the payment of dividends or distributions on the Group's capital instruments.

- In addition, APRA confirmed that the Australian loss-absorbing capacity ("LAC") regime will be established under the existing capital framework. For domestic systemically important banks ("D-SIBs"), such as CBA, APRA will require an additional total capital requirement of 3% of RWA based on the existing capital framework, effective 1 January 2024. APRA is evaluating whether any consequential adjustment to the required amount of LAC is necessary, taking into account the proposed changes to the capital framework outlined above. See "Group Operations and Business Settings - Capital - Regulatory Reform - APRA" in this Document for further information.

- The *Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act* 2019 (Cth) came into force on 5 April 2019 and introduced both design and distribution obligations on certain issuers and distributors of financial products (including hybrid securities) to retail investors and new product intervention powers for ASIC. The product design and distribution obligations will come into force in October 2021. In December 2020, ASIC published regulatory guidance in respect of the design and distribution obligations. Relevantly, the product design and distribution obligations require issuers to prepare and make publicly available a 'target market determination' ("TMD"), which aims to ensure that financial products for the retail market are targeted and sold to appropriate investors. Issuers must then take reasonable steps to ensure compliance with the TMD by distributors and are subject to ongoing obligations to review the TMD. Distributors must not distribute a product to retail investors unless it has a TMD and must also take reasonable steps to ensure their distribution is consistent with the TMD. The impact of these new obligations remains untested. However, there is a risk that they may adversely impact the issue, distribution and reinvestment of the Group's financial products in the future. These changes may also affect the liquidity of the Group's funding instruments if they lead to a material reduction in future issuance volumes or secondary trading activity by investors. Additionally, increased compliance costs resulting from financial product distribution requirements may adversely impact the Group's business and financial condition.

Outside Australia there have also been a series of other regulatory initiatives from authorities in the various jurisdictions in which the Group operates or obtains funding that would result in significant regulatory changes for financial institutions. As an example, the Reserve Bank of New Zealand ("RBNZ") undertook a comprehensive review of the capital adequacy framework applying to registered banks in New Zealand, which resulted in an increase in the minimum Tier 1 capital requirement for banks which are deemed systemically important to 16% of RWA (currently 8.5%). The RBNZ announced that these reforms will commence from 1 July 2022 with a 6 year implementation period until 1 July 2028. It is possible that the implementation of these new requirements could impact CBA's capital minimums and targets. See "Group Operations and Business Settings - Capital - Regulatory Reforms - Reserve Bank of New Zealand (RBNZ)" in this Document for further information.

Authorities in Europe and the United Kingdom may also propose significant regulatory changes as a result of "Brexit", however the scope and timing of any such changes remains uncertain. Uncertainty remains over the impact to regional and global economic activity while the trade agreement reached between the European and the United Kingdom in December 2020 is implemented. See "The Group's results could be adversely impacted by key strategic risks arising from changes in the Group's external and internal operating environment" and "The Group may be adversely affected by deteriorations in the global financial markets" on pages 10 and 14 of this Document, respectively, for more information.

In the United States, the Group elected to be treated as a Financial Holding Company by the Federal Reserve Board. As a result, the Group is subject to certain regulatory requirements in the United States. For more details, see "Group Operations and Business Settings- Financial System Regulations in the United States" on page 58.

Risk Factors (continued)

1 Strategic Risk (continued)

Other regulatory and political developments

There is currently an environment of heightened scrutiny by the Australian Government and various Australian regulators on the Australian financial services industry. This scrutiny has previously led to, and may lead to further, changes in laws, regulation or policies, which may adversely affect the Group's business, operations, financial performance and prospects. An example of industry-wide scrutiny that has led to changes in laws, regulation or policies is the Royal Commission into misconduct by financial service entities which delivered its final report on 1 February 2019. The final report included 76 recommendations to the Australian Government, and findings in relation to the case studies investigated during the hearings, with a number of referrals being made to regulators for misconduct by financial institutions, which has resulted in heightened levels of enforcement action across the industry, including key regulators investigating all matters raised by the Royal Commission.

The 76 recommendations covered many of the Group's business areas, and also canvassed the role of the regulators and the approach to be taken to customer focus, culture and remuneration. The Australian Government has passed legislation addressing some of these policy recommendations.

1.1.4 The Group is subject to competition and digital disruption which may adversely affect its business and financial results

The Group faces competition in all of its principal areas of operation. Competition is expected to increase, especially from non-Australian financial services providers who continue to expand in Australia, and from new non-bank entrants or smaller providers who may be unregulated or subject to lower or different prudential and regulatory standards than the Group, allowing them to operate more efficiently. These entrants may seek to disrupt the financial services industry by offering bundled propositions and utilising new technologies.

The emergence of new technologies such as Artificial Intelligence ("AI") is driving the digitisation and automation of processes and 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.

The COVID-19 pandemic and future economic disruptions could have a significant impact on competition in the financial services sector over the medium-term due to funding costs and provision increases, structurally low interest rates, insufficient liquidity, implementation of business continuity plans, changes to business strategies and temporary regulatory safe harbors. See "The COVID-19 pandemic and future outbreaks of other communicable diseases or pandemics may materially and adversely affect the business, results of operations, financial condition and prospects of the Group" on page 10 for further discussion of the risks COVID-19 poses to the Group.

Further, in response to the COVID-19 pandemic, the Australian Government and its agencies have sought to lower lending and funding costs for both banks and non-banks. These actions may support providers that compete with the Group. Given the importance of a functioning and competitive banking sector, and the Australian Government's current desire to pursue a pro-growth agenda in response to the economic disruption caused by the COVID-19 pandemic, it is anticipated that over the longer-term, the level of competition in financial services will remain a focus area for the Australian Government. Possible future policy reform in this area may result in increased competitive pressure in the Group's key markets, which may adversely affect the Group's business, results of operations, financial condition and prospects.

Additionally, the Group relies on deposits to fund a significant portion of its balance sheet. The Group competes with banks and other financial services firms for such deposits. Increased competition for deposits may increase the Group's cost of funding. To the extent that the Group is not able to successfully compete for deposits, the Group would be forced to rely more heavily on other, less stable or more expensive forms of funding, or to reduce lending. This may adversely affect the Group's business, financial condition, operations, prospects and liquidity.

If the Group is unable to compete effectively in its various businesses and markets, its market share may decline and increased competition may also adversely affect the Group's results by diverting business to competitors or creating pressure to lower margins to maintain market share.

1.1.5 The Group may be adversely affected by deteriorations in the global financial markets

By the nature of its operations in various financial markets, the Group has previously been adversely impacted, both directly and indirectly, by difficult business, economic and market conditions and could be adversely affected should markets deteriorate again in the future. The financial system (or systems) within which it operates may experience systemic shocks due to market volatility, political (including geopolitical) or economic instability or catastrophic events.

A shock to or deterioration in the global economy could result in currency and interest rate fluctuations and operational disruptions that negatively impact the Group. For example, global economic conditions may deteriorate to the extent that: counterparties default on their debt obligations; countries re-denominate their currencies and/or introduce capital controls; one or more major economies collapse; and/or global financial markets cease to operate, or cease to operate efficiently. Sovereign defaults may adversely impact the Group directly, through adversely impacting the value of the Group's assets, or indirectly through destabilising global financial markets, adversely impacting the Group's liquidity, financial performance or ability to access capital.

The COVID-19 pandemic is having, and is expected to continue to have, a significant impact on the global economy and global markets. Additionally, the continued imposition of travel restrictions, border controls, social distancing, quarantine protocols and other containment measures could contribute to a further decline in economic conditions across the world and further suppress demand for commodities, further interrupt the supply chain for many industries globally, and further dampen consumer confidence and suppress business earnings and growth prospects, all of which could contribute to ongoing volatility in global financial markets and adversely affect the Group's business, financial condition, operations and prospects. See "The COVID-19 pandemic and future outbreaks of other communicable diseases or

Risk Factors (continued)

1 Strategic Risk (continued)

pandemics may materially and adversely affect the business, results of operations, financial condition and prospects of the Group” on page 10 for further discussion on the risks COVID-19 poses to the Group.

Even before COVID-19, the impact of the global financial crisis that began around 2007 and its aftermath, trade tensions between the United States and some of its trading partners, including China, and Brexit continued to affect regional and global economic activity, confidence and capital markets. The potential for escalation in geopolitical risks has also contributed to vulnerability in consumer and business behaviour. Such global political conditions have contributed to economic uncertainty and volatility in the global financial markets and have negatively impacted, and could continue to negatively impact, consumer and business activity within the markets in which the Group or its customers or counterparties operate, or result in the introduction of new and/or divergent regulatory frameworks that the Group will need to adhere to.

In December 2020, authorities in the European Union and the United Kingdom reached a trade agreement setting out the rules on Brexit, and on the new relationship between the European Union and the United Kingdom that apply from 2021. Whilst an agreement was reached, uncertainty remains over the impact to regional and global economic activity as the agreement is implemented, and rules governing United Kingdom access to European financial markets are yet to be finalised. This continued uncertainty may adversely affect the Group, including the Group’s ability to raise medium or long-term funding in the international capital markets.

Geopolitical instability, such as threats of, potential for, or actual conflicts or terrorist activities, occurring around the world, may also adversely affect global financial markets, general business and economic conditions and the Group’s or its customers’ ability to continue operating or trading in an affected country or region, which in turn may adversely affect the Group’s business, financial condition, operations and prospects.

1.2 CBA is routinely exposed to, and manages, a number of sub-risks of the Strategic Risk type

These risks primarily support or drive strategic decisions that could impact CBA’s profitability or business model assumptions, and are impacted by, or drive decisions resulting in impacts across other risk types, and are managed more routinely through their own dedicated governance, policies and procedures, infrastructure and teams.

1.2.1 The Group could suffer losses due to environmental and social risks

The Group could be exposed to financial losses or brand damage from the impacts of climate change or from not understanding or meeting community or regulatory expectations in relation to environmental and social issues.

Climate change is systemic in nature, and is a significant long-term driver of financial, non-financial and strategic risk to the Group. A failure to respond adequately to the potential and expected impacts of climate change will affect the Group’s long-term performance and can be expected to have wide-ranging impacts for the Group in its lending (retail and business), procurement and investment portfolios.

There is an increasing risk that the Group’s assets, including those held as collateral or investments, could become impaired as a result of permanent damage arising from more frequent and severe weather events and longer-term shifts in climate patterns. In particular, there is a risk of the home lending portfolio accumulating an increased exposure to high risk assets over time, if appropriate action is not taken in the shorter term. Permanent damage to assets of customers could affect their ability to repay loans, leading to potential reputational risk from increased hardships. It could also impact the probability of default and losses arising from defaults, valuations and collateral as well as portfolio performance.

Disruption is also likely to occur from the adjustment to a low-carbon economy. This may be due to the nature and volume of regulatory policy, market, technological or community lead transition requirements, and changing expectations. Local and global regulators have increased their focus on climate change, increasing the risk of compliance breaches or litigation risk (including class actions). The Group’s assets in certain industries and/or locations, or those held in investment portfolios, could become less valuable as a result of being misaligned with low-carbon policy or community expectations.

The Group’s reputation could also be impacted by continuing to finance certain industries or customers that are carbon intense or environmentally unfriendly, or by setting portfolio emission reduction targets and strategies that do not meet community expectations. The financial performance of the Group could also be adversely impacted if revenue foregone from carbon intense customers is not offset by opportunities in new ‘green’ industries.

The Group recognises that inadequate assessment and management of climate change risks, and the risks associated with the transition to a low carbon economy, have the potential to disrupt business activities, damage property and otherwise affect the value of assets, and affect our customers’ ability to repay loans. This could adversely impact the Group’s franchise value, strategic risk and financial risk, and poses a risk to the Group’s cost of capital.

1.2.2 The Group could be adversely impacted by Investor activism

The Group has in the past been, and may in the future be, challenged on its strategy by shareholders, including institutional shareholders and special interest groups. Areas which have attracted investor activism in Australia include making socially responsible investments and avoiding financing or interacting with businesses that do not demonstrate responsible management of environmental and social issues. The prevalence of investor activism could impact management’s decision making and implementation of the Group’s initiatives, which in turn could adversely affect the Group’s financial results.

1.2.3 Organisational capability and culture risks may adversely affect the Group’s business, operations and financial condition

The Group may be unable to execute effectively on its strategy due to inadequate skills and capabilities and a misaligned organisational culture.

The Group’s ability to attract and retain qualified and skilled executives, employees and Board members is an important

Risk Factors (continued)

1 Strategic Risk (continued)

factor in achieving the strategic objectives of CBA and its subsidiaries. The Chief Executive Officer, the management team of the Chief Executive Officer and the Board have skills that are critical to setting the strategic direction, driving an appropriate organisational culture, successfully managing growth of the Group, and whose loss due to resignation, retirement, death or illness may adversely affect the Group's business, operations and financial condition.

The progression of new technologies, such as AI, changing macroeconomic conditions, and increasing regulatory expectations, requires leaders with new and different skill sets and deep banking expertise to deliver the performance expected by shareholders. These skills may become more difficult to attract and retain, particularly with the emergence of new non-traditional technology competitors who aim to compete directly in the banking sector.

The Group's business, operations and financial condition could be adversely affected if it has difficulty driving the appropriate organisational culture necessary to achieve its strategy, retaining or attracting highly qualified people for important roles, including key executives and Board members, particularly in times of strategic change.

1.2.4 Failure to maintain capital adequacy requirements would adversely affect the Group's financial condition

The Group must satisfy substantial capital requirements, subject to qualitative and quantitative review and assessment by its regulators. Regulatory capital requirements influence how the Group uses its capital, and can restrict its ability to pay dividends and Additional Tier 1 distributions, or to make stock repurchases. The Group's capital ratios may be affected by a number of factors, including earnings, asset growth and quality, changes in the value of the Australian dollar against other currencies in which the Group conducts its business, changes in regulatory requirements, and changes in business strategy (including acquisitions, divestments, investments and changes in capital intensive businesses).

The Group operates an Internal Capital Adequacy Assessment Process (the "ICAAP") to manage its capital levels and to maintain them above the minimum levels approved by the Board (which are currently set to exceed regulatory requirements). The ICAAP includes forecasting and stress testing of capital levels, which guides the Group in selecting any capital management initiatives it may undertake.

Should the ICAAP forecasts or stress tests prove to be ineffective, the Group may not be holding sufficient capital and may need to raise capital to manage balance sheet growth and/or stress.

APRA and the RBNZ have recently undertaken significant regulatory reform, including revisions to the capital framework for the Group in Australia and New Zealand. See "The Group is subject to extensive regulation and operates in an environment subject to political scrutiny, which could adversely impact its operations and financial condition - Regulatory reforms" for more information on the risks to the Group posed by these reforms. For more information on the Group's capital adequacy and liquidity requirements, see "Group Operations and Business Settings - Capital" starting on page 54 of this Document. The Group's failure to meet the capital requirements discussed above, or any future proposed capital requirements if enacted, would adversely affect its financial condition.

1.2.5 Damage to the Group's reputation could undermine the trust of stakeholders, erode the Group's brand and harm its business, financial condition, operations and prospects

The Group's reputation is a valuable asset and a key contributor to the support that it receives from the community for its business initiatives and its ability to raise funding or capital. Damage to the Group's reputation may arise where there are differences between stakeholder expectations and the Group's actual or perceived practices. The risk of reputational damage may also be a secondary outcome of other sources of risk.

Various issues, including a number of the risks described herein, may give rise to reputational damage and cause harm to the Group's business, financial condition, operations and prospects. These issues include the conduct of the Group (for example, inadequate sales and trading practices, inappropriate management of conflicts of interest and other ethical issues), breaches of legal and regulatory requirements (such as money laundering, counter-terrorism financing, trade sanctions, privacy and anti-hawking laws), technology and information security failures, unsuccessful strategies or strategies that are not in line with community expectations and non-compliance with internal policies and procedures. The Group's reputation may also be adversely affected by community perception of the broader financial services industry, or from the actions of its competitors, customers, suppliers or companies in which the Group holds strategic investments.

Failure, or perceived failure, to address these issues appropriately could also give rise to additional legal or regulatory risk, subjecting the Group to regulatory enforcement actions, fines and penalties, or further damage the Group's reputation and integrity among its stakeholders including customers, investors and the community.

1.2.6 The Group's performance and financial position may be adversely affected by sub-optimal investment allocation and delivery risks, including through its acquisitions or divestments of businesses

The Group routinely manages a large number of strategic and transformation programs. There is the risk of expected outcomes not being achieved, or strategic opportunities being missed due to ineffective management of these initiatives, for example, due to operational complexity or the pace of execution being too fast for processes, people and systems to work as they need to, or too slow to keep pace with the changing environment.

There is also the risk of ineffective allocation and balance of the Group's resources that could result in missed strategic opportunities or the inability to effectively deliver on strategic objectives.

The Group is currently undertaking a number of divestments and strategic reviews of certain businesses. Refer to Note 7.3 to the Financial Statements to this Document for further information. In the future, the Group may divest additional businesses or capabilities it considers non-core or wind-down businesses or product areas.

There is a risk that the cost and pace of executing divestments, including as a result of external approvals, may cause the Group to experience disruptions in the divestment, transition or wind-down process, including to existing businesses, which may cause customers to remove their

Risk Factors (continued)

1 Strategic Risk (continued)

business from the Group or have other adverse impacts on the Group.

From time to time, the Group evaluates and undertakes acquisitions of other businesses. There is a risk that the Group may not achieve the expected synergies from the acquisition, and may experience disruptions to its existing businesses due to difficulties in integrating the systems and processes of the acquired business, which may cause the Group to lose customers and market share, and incur financial losses.

Multiple divestments and/or acquisitions at the same time may exacerbate these risks.

2 Credit Risk

2.1 The Group may incur losses associated with credit risk exposures

The Group assumes counterparty risk in connection with its lending, trading, derivatives, insurance and other businesses as it relies on the ability of its counterparties to satisfy their financial obligations to the Group on a timely basis. For example, customers may default on their home, personal and business loans, and trades may fail to settle due to non-payment by a counterparty or a systems failure by clearing agents, exchanges or other financial intermediaries. This risk also arises from the Group's exposure to lenders' mortgage insurance and re-insurance providers. There is also a risk that the Group's rights against counterparties may not be enforceable in certain circumstances.

Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, as well as the occurrence of events such as natural disasters or pandemics, could cause customers or counterparties to fail to meet their obligations in accordance with agreed terms.

In particular, the Group is increasingly uncertain about the economic outlook and emerging sector risks of its customers and counterparties in, or with exposure to the Aviation and Commercial Property sectors, as well as other sectors reliant on discretionary spending, mainly due to COVID-19.

Counterparties may default on their obligations due to insolvency, lack of liquidity, operational failure or other reasons. This risk may be increased by a deterioration in economic conditions and a sustained high level of unemployment. In assessing whether to extend credit or enter into other transactions, the Group relies on counterparties providing information that is accurate and not misleading, including financial statements and other financial information. The Group's financial performance could be negatively impacted to the extent that it relies on information that is inaccurate or materially misleading.

CBA has provided customers impacted by the COVID-19 pandemic with the option of deferring certain mortgage or loan repayments. During the half year ended 31 December 2020, loans with a gross carrying value of approximately $10,303 million were granted COVID-19 related repayment deferrals or other contractual modifications when they were included in either Stage 2 or Stage 3 (30 June 2020: $26,886 million). Loans with a gross carrying value of approximately $23,281 million, that were subject to COVID-19 related modifications when in Stage 2 or Stage 3, remained in either Stage 2 or Stage 3 at 31 December 2020 (30 June 2020: $25,179 million). For more information, refer to Note 3.2 to the Financial Statements included in this Document. This may lead to an increase in the level of credit risk related losses. Some customers may not be able to recommence their loan repayment obligations, leading to a potential increase in credit risk related losses, which could have a material adverse effect on CBA's business, results of operations, financial condition and prospects.

Unexpected credit losses could have a significant adverse effect on the Group's business, financial condition, operations and prospects.

3 Operational Risk

3.1 The Group may incur losses from operational risks associated with being a large financial institution

Operational risk is defined as the risk of economic gain or loss resulting from (i) inadequate or failed internal processes and methodologies; (ii) people; (iii) systems and models used in making business decisions; or (iv) external events. The continuity and resilience of the Group's operations is crucial for serving its customers, upholding community trust and maintaining its reputation.

The Group is exposed to operational risk through a number of specific risk types that require specific skills, infrastructure, procedures and governance to ensure their effective oversight and management. The Group may also be adversely impacted by failures in the efficacy, adequacy or implementation of these risk-management strategies, frameworks and processes. The emergence of unexpected risks or unanticipated impacts of identified risks may result in financial or reputational losses for the Group.

3.1.1 The Group may be adversely affected by cyber-security risks

The Group's information technology systems are subject to information security risks. Cyber-attacks have the potential to cause financial system instability and could result in serious disruption to customer banking services, or compromise customer data privacy.

Information security risks for the Group have increased in recent years, in part because of: (i) the pervasiveness of technology to conduct financial transactions; (ii) the evolution and development of new technologies; (iii) the Group's increasing usage of digital channels; (iv) customers' increasing use of personal devices that are beyond the Group's control systems; and (v) the increased sophistication and broadened activities of cyber criminals.

Although the Group takes protective measures and endeavours to modify these protective measures as circumstances warrant, its computer systems, software and networks may be vulnerable to unauthorised access, misuse, denial-of-service attacks, phishing attacks, computer viruses or other malicious code and other events. These threats could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of the Group, its employees, customers or third parties or otherwise adversely impact network access or business operations.

Additionally, there has been a global increase in cybercrime during the COVID-19 pandemic, including cybercrime targeting

Risk Factors (continued)

3 Operational Risk (continued)

the Group, as cyber criminals seek to gain financially from people's vulnerability, or exploit potential weaknesses introduced through rapid operational changes implemented by businesses.

An information security failure (including the impact of any cyber-attack), or more general mishandling of data, could have serious consequences for the Group, including operational disruption, financial losses, a loss of customer or business opportunities, litigation, regulatory penalties or intervention, reputational damage, theft of intellectual property, loss or theft of customer data, and could result in violations of applicable privacy laws.

3.1.2 The Group may be adversely affected by technology risks

The Group's businesses are highly dependent on its information technology systems, including those supplied by external service providers, to securely process, store, keep private and transmit information.

The Group provides numerous services to customers through a complex technology infrastructure that requires ongoing update and maintenance to ensure its network, applications and hardware are resilient and not disrupted by physical damage, equipment failure or ineffective change management processes.

Additionally, in response to the COVID-19 pandemic, more of the Group's staff and third party contractors have been required to work remotely or from alternative work sites, which has the potential to put stress on the Group's technology infrastructure.

Disruption to business systems from failure of technology infrastructure can materially impact customers, result in significant financial and reputational losses for CBA, and result in material fines and penalties.

3.1.3 The Group may be adversely affected by data management risks

The Group manages a large volume of sensitive data. There is a risk that poor decisions may be made due to data quality issues or failing to appropriately manage and maintain the Group's data. This includes the capture, processing, distribution, retention and disposal of data. Failure to comply with data management regulatory obligations may cause the Group to incur losses, or result in regulatory action.

3.1.4 The Group may be adversely affected by third party risks

The Group's use of third party suppliers and third party partnerships, especially those where they supply the Group with critical services such as key technology systems or support, expose it to operational risks, including the potential for a severe event at a third party impacting the Group.

The pandemic has led to, and may continue to lead to, a general uncertainty over the stability of global supply chains and the potential impact on third-party suppliers to the Group.

3.1.5 The Group may be adversely affected by transaction processing risks

The Group's businesses are highly dependent on their ability to process and monitor a very large number of transactions, many of which are highly complex, across multiple markets and in many currencies. The Group's financial, accounting, record keeping, data processing or other operating systems, processes and facilities may fail to function properly or may become disabled as a result of events that are wholly or partially beyond its control, such as a spike in transaction volumes, damage to critical utilities, environmental hazard, natural disaster, or a failure of a vendors' systems.

3.1.6 The Group may be adversely affected by non-technology business disruption risks

CBA is exposed to the risk of disruption to business processes from non-technological causes. This includes disruptions from natural disasters or pandemics, violence, social unrest or terrorist events and property disruptions.

The COVID-19 pandemic, and future outbreaks of other communicable diseases or pandemics, have the potential to introduce new and elevated risks to the resilience of the Group's operations. These include, safety risks to employees working in offices and branches, and disruptions to operations arising from remote working and reprioritisation of teams to service increased customer queries and hardship requests. There is an increased risk of complaints, reputational damage and conduct implications if increased volumes of customer requests for relief measures are not appropriately managed. Disruptions also increase the risk of potential non-compliance with ongoing regulatory obligations and commitments.

3.1.7 The Group may be adversely affected by modelling risks

As a large financial institution, the Group relies on a number of models for material business decisions. Incorrect model design or improper model implementation, maintenance and application can result in incorrect business decisions. This risk is increasing with the use of emerging technologies such as AI, which require new capabilities and model risk management approaches.

There is an increased risk of not disclosing to the market appropriately as circumstances change, or failing to comply with the Group's continuous disclosure obligations, because changing circumstances require rapid updates to models which increases the risk of reporting errors.

3.1.8 The Group may be adversely affected by fraud risks

The Group is routinely exposed to the risk of fraud from third party suppliers, customers, or by an internal or external party. This can include the theft of funds, unauthorised trading or the theft of assets and non-electronic information.

The support measures made available during COVID-19 may increase opportunities for those seeking to commit fraud and financial crimes. A global increase in cybercrime, including cybercrime targeting the Group, has been observed during the COVID-19 pandemic and this may continue and the Group may be adversely affected as a result.

Risk Factors (continued)

3 Operational Risk (continued)

3.1.9 The Group may be adversely affected by employment risks

The Group employs a large workforce and is therefore exposed to the risk of breaches of employment legislation, mismanagement of employee relations, and physical or mental injury or death of employees or people on Group premises where the Group is liable, which may adversely affect the Group's results of operations.

3.1.10 The Group may be adversely affected by accounting, legal and taxation risks

The Group may be exposed to risks from not meeting statutory and regulatory reporting, tax payment and filing requirements, or from execution errors in legal procedures and processes. This includes the potential for losses due to incorrectly recording the impairment of assets, including software, goodwill and other intangible assets.

Management must exercise judgment in selecting and applying the Group's accounting policies so that not only do they comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report on the financial position and results of operations of the Group. Although the Group has processes in place designed to ensure compliance with the Group's accounting policies, these processes may not always be effective. Inappropriate application of and changes to accounting policies may adversely impact the Group's results.

4 Compliance Risk

4.1 The Group is subject to compliance risks, which could adversely impact the Group's results and reputation

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss of reputation that the Group may suffer as a result of its failure to comply, or perceived failure to comply, with the requirements of relevant laws, regulatory bodies, industry standards and codes. Compliance risk may also arise where the Group interprets its obligations differently from regulators or a court.

Increasing volume, complexity and global reach of such requirements, and the increased propensity for sanctions and the level of financial penalties for breaches of requirements, could adversely impact the Group's results and reputation.

This includes for example, financial crime related obligations such as anti-money laundering and counter-terrorism financing laws, anti-bribery and corruption laws, modern slavery laws, and economic and trade sanctions laws in the jurisdictions in which the Group operates. The number and wide reach of these obligations, combined with the increasing global focus on compliance with and enforcement of these obligations, presents a risk of adverse impacts on the Group, including to its reputation.

4.1.1 Substantial legal liability or regulatory action against the Group may adversely affect the Group's business, financial condition, operations, prospects and reputation

Due to the scale of the Group's operations, it is exposed to the risk of potentially breaching laws, regulations, rules, licence conditions, and statements of regulatory policy applicable to its business activities. The Group is, from time to time, involved in litigation, arbitration and regulatory proceedings, principally in Australia and New Zealand. Such matters are subject to many uncertainties, and the outcome of individual matters cannot be predicted with certainty. If the Group is ordered to pay money (for example, damages, fines, penalties or legal costs), has orders made against its assets (for example, a charging order or writ of execution), is ordered to carry out actions which adversely affect its business operations or reputation (for example, corrective advertising) or is otherwise subject to adverse outcomes of litigation, arbitration and regulatory proceedings, the Group's business, financial condition, operations, prospects and reputation may be adversely affected.

In addition to litigation, arbitration and regulatory proceedings, CBA may also be exposed to claims by customers, third parties and shareholders and this could include further class actions, customer remediation or compensation claims. While the final outcome and costs associated with these regulatory actions and claims remain uncertain, if CBA was unsuccessful in defending such actions and claims, they may individually or in aggregate have a material adverse impact on CBA's business and financial position. The main claims being litigated against the Group as at 31 December 2020 are summarized below. Refer to Note 7.2 to the Financial Statements to this Document for further information.

- The Group is defending two separate shareholder class action proceedings 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 AUSTRAC. The AUSTRAC proceedings concerned contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth).

  The resolution of those proceedings was approved by the Federal Court in 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 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.

  Recognising the crucial role that the Group plays in fighting financial crime, CBA 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, sanction and anti-bribery and corruption) and all business units.

  Although 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, 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

Risk Factors (continued)

4 Compliance Risk (continued)

domestic or foreign regulators in respect of its financial crime compliance as of the date of this Document, there can be no assurance that the Group will not be subject to such enforcement actions in the future.

The settlement of the proceedings commenced by AUSTRAC, or any other formal or informal proceeding or investigation by other government or regulatory agencies (domestic or foreign), may result in additional litigation, or proceedings by other regulators or private parties.

- The Group is defending four class action claims in relation to superannuation products in the Federal Court of Australia. The main claims of the first class action are that Colonial First State Investments Limited (CFSIL) breached its duties as trustee and responsible entity by investing cash and deposit options in CBA products that received lower interest rates than were available in the market from another bank with comparable risk and that CFSIL retained the margin that arose through the internal transfer pricing process in respect of deposits made with CBA, for their own benefit. It is alleged that CBA was involved in CFSIL's breaches.

  The main claims of the second class action is that CFSIL breached its duties as trustee and acted unconscionably because it failed 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.

  The main claim of the third class action is that CFSIL should have transferred its members to a MySuper product earlier than they were, and that the alleged failure to effect the transfer as soon as reasonably practicable caused affected members to pay higher fees and receive lower investment returns during the period of delay.

  The key allegation of the fourth class action is that CFSIL entered into and maintained insurance policies with The Colonial Mutual Life Assurance Society Limited (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 Group is defending two class actions in the Federal Court of Australia regarding the provision of past wealth management Advice. The key allegations include that Commonwealth Financial Planning Limited (CFP), Financial Wisdom Limited (FWL) or their financial advisers breached their fiduciary duties to their clients, breached their duty to act in the best interest of their clients, and had prioritised their own interests (and the interests of CFP, FWL and CMLA) over the interest of their clients, in recommending certain CommInsure life insurance policies in preference to substantially equivalent or better policies available at lower premiums from third party insurers. It is also alleged that CMLA is liable to account for excess premiums because it knew the material facts giving rise to the breaches of fiduciary duty.

  The second claim relates to commissions paid to Count Financial Limited (Count) and its authorised representative financial advisers in respect of financial products (including insurance) and certain obligations of its financial advisers to provide ongoing advice. The claim also includes allegations (related to the receipt of commissions) that Count engaged in misleading or deceptive conduct under the Australian Consumer Law, and that Count and its authorised representatives breached fiduciary duties owed to the applicant and group members. Count was a wholly owned subsidiary of CBA until 1 October 2019, when it was acquired by CountPlus Limited. CBA has assumed the conduct of the defence in this matter on Count's behalf.

- The Group is defending a class action 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.

- The Group is defending a class action in the Federal Court of Australia which 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.

Each of CBA, CFSIL, CMLA, CFP, FWL and Count deny each of the allegations against them and are defending the proceedings. It is currently not possible to determine the ultimate impact of these claims on the Group. The Group has provided for the legal costs expected to be incurred in the defence of the claims.

ASIC has commenced a number of civil penalty proceedings against the Group in the Federal Court of Australia. These proceedings are summarized below. Refer to Note 7.2 to the Financial Statements to this Document for further information.

- Against CFSIL arising from communications with members of the FirstChoice Fund. 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.

- Against CFSIL and CBA relating to the arrangements between CFSIL and CBA for the distribution of Commonwealth Essential Super ("CES"). CES is a MySuper product issued by CFSIL.

Risk Factors (continued)

4 Compliance Risk (continued)

- Against CBA in relation to overcharging of interest on certain business overdraft accounts. The overcharging affected 2,269 customers. The affected customers have been sent refunds and CBA's remediation program has concluded.

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 these claims.

During 1H21, $241 million of expense provisions were recognised representing $118 million for historical Aligned Advice Remediation issues and associated program costs and $123 million for Banking and Other Wealth related customer remediation and other.

There are a number of ongoing matters with respect to which regulators have commenced proceedings or are investigating potential contraventions by CBA or a Group entity of civil or criminal penalty provisions. The matters under investigation include investigations by APRA and ASIC of issues which were referred to them by the 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, third parties and shareholders and this could include further class actions, customer remediation or claims for compensation. The outcomes and total costs associated with such regulatory investigations and possible claims remain uncertain. The Group is seeing an increase in investigation and litigation activity by ASIC and ASIC may commence proceedings against CBA or a Group entity in relation to some of the matters under investigation. Where a breach has occurred, regulators are likely to impose, or apply to a Court for fines, declarations of breaches and/or other sanctions, which could potentially have a cumulative impact on costs and reputation.

4.1.2 The Group may incur losses as a result of the inappropriate conduct of its staff

The Group could be adversely affected if an employee, contractor or external service provider does not act in accordance with regulations or its policies and procedures, engages in inappropriate or fraudulent conduct, or unintentionally fails to meet a professional obligation to specific clients. Examples are inadequate or defective financial advice, product defects and unsuitability, market manipulation, insider trading, privacy or data security breaches and misleading or deceptive conduct in advertising. As a result, the Group could incur losses, financial penalties and reputational damage, and could be subject to legal or regulatory action.

4.1.3 The Group may incur losses as a result of not complying with financial crime legislation

Banks have a critical role to play in combating financial crime and protecting the integrity of the financial system. The Group is required to comply with legislation targeting financial criminal activities globally. This includes legislation relating to Sanctions, Anti Money Laundering and Counter Terrorism Financing (AML/CTF) and Anti-Bribery & Corruption (AB&C). Not detecting or preventing financial crimes can have a significant impact on the Group's customers and the community and can result in significant fines and penalties for the Group. For example, in 2018, AUSTRAC commenced proceedings against CBA for contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth), which related to, among other things, CBA's failure to provide threshold transaction reports to AUSTRAC on time for transactions of $10,000 or more from November 2012 to September 2015. The resolution of those proceedings was approved by the Federal Court in 2018 with CBA paying a penalty of $700 million and legal costs.

4.1.4 CBA may incur losses as a result of not complying with privacy legislation

CBA collects and manages a large volume of personal information of individuals. Failure to adequately collect and secure this data in line with local and international privacy laws can expose CBA to material reputational damage, fines and penalties. For example, in June 2019 the Australian Information Commissioner accepted an enforceable undertaking (EU) offered by CBA, which requires further enhancements to the management and retention of customer personal information within CBA and certain subsidiaries. The EU follow 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 found no evidence that its customer's 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 and has now closed all of its internal investigations.

5 Liquidity Risk

5.1 The Group's results may be adversely affected by liquidity and funding risks

The Group is subject to liquidity and funding risks, which could adversely impact the Group's future results. Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due. Funding risk is the risk of over-reliance on a funding source to the extent that a change or increased competition in that funding source could increase overall funding costs or cause difficulty in raising funds.

Further information on liquidity and funding risk is outlined in Note 9.4 of the 2020 Financial Report which provides an overview of the Group's liquidity and funding risk management framework.

5.2 Adverse financial and credit market conditions may significantly affect the Group's ability to access international debt markets, on which it relies for a substantial amount of its wholesale funding

While the majority of the Group's funding comes from deposits, it remains reliant on offshore wholesale funding markets to source a significant amount of its wholesale funding and to grow its business.

Global market volatility may adversely impact the cost and the Group's ability to access wholesale funding markets and may also result in increased competition for, and therefore the cost of, deposits in Australia.

Risk Factors (continued)

5 Liquidity Risk (continued)

The COVID-19 pandemic is having, and is expected to continue to have, a significant impact on the global economy and global markets. Fiscal and monetary stimulus and liquidity measures have impacted the availability of funding during the COVID-19 pandemic. The tapering off of these stimulus measures may result in increased competition for deposits and other funding sources, and therefore increased funding costs.

If the Group is unable to pass its increased funding costs on to its customers, its financial performance will decline due to lower net interest margins. If the Group is forced to seek alternative sources of funding, the availability of such alternative funding and the terms on which it may be available will depend on a variety of factors, including prevailing financial and credit market conditions. Even if available, the cost of these alternatives may be more expensive or they may only be available on unfavourable terms, which may adversely impact the Group's cost of borrowing and the Group's ongoing operations and funding.

If the Group is unable to source appropriate and timely funding, it may also be forced to reduce its lending or consider selling assets.

5.3 The Group may not be able to maintain adequate levels of liquidity and funding, which would adversely affect the Group's business, financial condition, operations and prospects

The Group's liquidity and funding policies are designed to ensure that it will meet its debts and other obligations as and when they fall due. Although the Group actively monitors and manages its liquidity and funding positions, there are factors outside of its control which could adversely affect these positions, for example if financial markets are closed for an extended period of time, or if there is a change in customer behaviour driven by low, zero or negative interest rates which leads to an outflow of deposits.

In addition to APRA's Liquidity Coverage Ratio ("LCR") requirements (effective 1 January 2015), the Group must comply with the Net Stable Funding Ratio ("NSFR") requirements, which came into effect from 1 January 2018. If the Group fails to maintain adequate levels of liquidity and funding, it would adversely affect the Group's business, financial condition, operations and prospects.

5.4 Failure to maintain credit ratings could adversely affect the Group's cost of funds, liquidity, access to debt and capital markets, and competitive position

CBA's credit ratings (which are strongly influenced by Australia's sovereign credit rating) affect the cost and availability of its funding from debt and other funding sources. Credit ratings could be used by potential customers, lenders and investors in deciding whether to transact with or invest in the Group.

A downgrade to CBA's credit ratings, or the ratings of the Commonwealth of Australia, could adversely affect the Group's cost of funds, liquidity, access to debt and capital markets, collateralization requirements and competitive position.

Due to the impacts of COVID-19 on the operating environment, credit rating agencies have taken certain actions. For example, Moody's downgraded the outlook for the Australian banking system, Fitch downgraded the ratings for the major Australian banks in April 2020, and S&P downgraded the outlook for the major Australian banks. Specifically:

- On 2 April 2020 Moody's downgraded their outlook for the Australian banking system to negative from stable, reflecting their view that the broad and growing scope of economic and market disruption from the COVID-19 outbreak will increase the strain on Australian banks' operating environment and loan performance. They noted that increasing loan-loss provisioning and record low interest rates will push profitability lower. Moody's also noted that Australian banks' sound capitalisation will provide a solid buffer against stress losses, but in the event of a deep and prolonged economic slowdown, capital ratios are likely to deteriorate. CBA's ratings of P-1 (short-term), Aa3 (long-term) and Outlook of Stable remained unchanged.

- On 7 April 2020 Fitch Ratings downgraded the CBA Long-Term Issuer Default Rating (IDR) to 'A+' from 'AA-' and the Viability Rating (VR) to 'a+' from 'aa-'. The Outlook on the Long-Term IDR is Negative. The Short-Term IDR was also downgraded to 'F1' from 'F1+'. The Support Rating and Support Rating Floor were affirmed at '1' and 'A', respectively. Fitch affirmed these ratings on 21 September 2020. Fitch also downgraded CBA's New Zealand subsidiary, ASB Bank, to 'A+/Negative/F1' from 'AA-/Negative/F1+' and affirmed the Support Rating at '1' and VR at 'a'. Fitch affirmed these ratings on 18 December 2020.

- On 8 April 2020, CBA's long-term and short-term ratings were affirmed by S&P at AA- and A-1+ respectively. S&P revised CBA's outlook from stable to negative. The outlook for CBA's New Zealand subsidiary, ASB Bank, was also revised from stable to negative with its ratings affirmed at AA- and A-1+.

6 Market Risk

6.1 Failure to hedge effectively against market risks (including adverse fluctuations in exchange rates) could negatively impact the Group's results of operations

The Group is exposed to market risks, including the potential for losses arising from adverse changes in interest rates (including potential for negative interest rates), foreign exchange rates, commodity and equity prices, credit spreads and implied volatility levels for assets and liabilities where options are transacted. This exposure is split between traded market risks, primarily through providing services to customers on a global basis, and non-traded market risks, predominantly interest rate risk in the Group's banking book.

Changes in market factors such as potential developments or future changes in the administration of financial benchmark interest rates, such as LIBOR, could result in adverse consequences to the return on, value of and market for, securities and other instruments whose returns are linked to any such benchmark, including those securities or other instruments issued by the Group. If the Group was to suffer substantial losses due to any market volatility, it may adversely

Risk Factors (continued)

6 Market Risk (continued)

affect the Group's financial performance or financial condition.

Additionally, a significant proportion of the Group's wholesale funding and some of its profits and investments are in currencies other than the Australian dollar, principally the U.S. dollar and the Euro. This exposes the Group to exchange rate risk on these activities, as the Group's functional and financial reporting currency is the Australian dollar. These activities are hedged where appropriate, however there are also risks associated with hedging, for example, a hedge counterparty may default on its obligations to the Group. For a description of these specific risks, refer to Note 9.3 to the 2020 Financial Report. There can be no assurance that the Group's exchange rate hedging arrangements or hedging policy will be sufficient or effective. The Group's results of operations may be adversely affected if its hedges are not effective to mitigate exchange rate risks, if the Group is inappropriately hedged or if a hedge provider defaults on its obligations under the Group's hedging agreements.

7 Insurance Risk

7.1 The Group may be adversely impacted by insurance risk

Events that the Group has provided insurance against may occur more frequently or with greater severity than anticipated, which could adversely impact the Group. In the Group's general insurance business, this risk is mainly driven by weather related incidents (such as storms, floods or bushfires) and other catastrophes, which are unpredictable.

Contents

2. Highlights

Group Performance Summary 25

Non-Cash Items included in Statutory Profit 26

Key Performance Indicators 27

Market Share 30

Credit Ratings 30

Highlights

Group Performance Summary

Group Performance Summary	Half Year Ended ("statutory basis") 31 Dec 20 $M	Dec 20 vs Dec 19 %	Half Year Ended [1] ("cash basis") 31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Net interest income	**9,371**	-	**9,371**	9,260	9,350	1	-
Other banking income	**2,354**	(9)	**2,419**	2,294	2,543	5	(5)
Total banking income	**11,725**	(2)	**11,790**	11,554	11,893	2	(1)
Funds management income	**80**	(18)	**80**	75	98	7	(18)
Insurance income	**91**	large	**91**	109	32	(17)	large
Total operating income	**11,896**	(1)	**11,961**	11,738	12,023	2	(1)
Operating expenses	**(5,627)**	8	**(5,566)**	(5,689)	(5,206)	(2)	7
Loan impairment expense	**(882)**	36	**(882)**	(1,869)	(649)	(53)	36
Net profit before tax	**5,387**	(13)	**5,513**	4,180	6,168	32	(11)
Corporate tax expense	**(1,610)**	(9)	**(1,627)**	(1,240)	(1,812)	31	(10)
Non-controlling interests	**-**	-	**-**	-	-	-	-
Net profit after tax from continuing operations	**3,777**	(15)	**3,886**	2,940	4,356	32	(11)
Net profit after tax from discontinued operations [2]	**1,100**	(36)	**89**	15	138	large	(36)
Net profit after tax	**4,877**	(21)	**3,975**	2,955	4,494	35	(12)
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**n/a**	n/a	**910**	461	1,631	97	(44)
Hedging and IFRS volatility	**n/a**	n/a	**(8)**	57	36	large	large
Net profit after tax ("statutory basis")	**4,877**	(21)	**4,877**	3,473	6,161	40	(21)
Statutory net profit after tax, by division							
Retail Banking Services			**2,189**	1,878	2,305	17	(5)
Business Banking			**1,321**	1,062	1,396	24	(5)
Institutional Banking and Markets			**423**	168	465	large	(9)
New Zealand			**490**	446	505	10	(3)
International Financial Services			**499**	193	116	large	large
Wealth Management			**726**	337	1,698	large	(57)
Corporate Centre			**(771)**	(611)	(324)	26	large
Net profit after tax ("statutory basis")			**4,877**	3,473	6,161	40	(21)

1 Comparative information has been restated to conform to the presentation in the current half. Refer to Appendix 4.9 to this Document for further details.

2 The financial results of discontinued operations are excluded from the individual account lines of the Bank's performance and are reported as a single cash net profit after tax line item. Discontinued operations includes Colonial First State (CFS), CommInsure Life, BoCommLife, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life and non-controlling interests related to discontinued operations.

Non-Cash Items included in Statutory Profit

The management discussion and analysis in this Document discloses the net profit after tax on both a statutory and cash basis. The statutory basis is prepared in accordance with the Corporations Act and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is used by management to present what it believes to be a clear view of the Bank's operating results. It is not a measure based on cash accounting or cash flows. The items excluded from cash profit, such as hedging and IFRS volatility, and losses or gains on acquisition, disposal, closure and demerger of businesses are calculated consistently with the prior comparative period and prior half disclosures and do not discriminate between positive and negative adjustments. A list of items excluded from cash profit is provided in the table below. A reconciliation of the Group's net profit after tax from "cash basis" to "statutory basis" is set out in Appendix 4.4 to this Document.

	Half Year Ended				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
Non-Cash Items Included in Statutory Profit	**$M**	$M	$M	Jun 20 %	Dec 19 %
Gain on acquisition, disposal, closure and demerger of businesses	**910**	461	1,631	97	(44)
Hedging and IFRS volatility	**(8)**	57	36	large	large
Total non-cash items (after tax)	**902**	518	1,667	74	(46)

Non-cash items attributable to continuing and discontinued operations are set out below:

	Half Year Ended				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
Non-Cash Items Included in Statutory Profit	**$M**	$M	$M	Jun 20 %	Dec 19 %
(Loss)/gain on acquisition, disposal, closure and demerger of businesses [1]	**(101)**	10	60	large	large
Hedging and IFRS volatility	**(8)**	57	36	large	large
Non-cash items (after tax) from continuing operations	**(109)**	67	96	large	large
Gain on acquisition, disposal, closure and demerger of businesses [2]	**1,011**	451	1,571	large	(36)
Non-cash items (after tax) from discontinued operations	**1,011**	451	1,571	large	(36)
Total non-cash items (after tax)	**902**	518	1,667	74	(46)

1 Includes gains and losses net of transaction and separation costs associated with disposal of AUSIEX, Aussie Home Loans, Count Financial and other businesses, and the dilution of the Group's interest in Bank of Hangzhou. Refer to Note 7.4 for further information.

2 Includes post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs associated with the disposal of BoCommLife, CFS, CFSGAM, PT Commonwealth Life and other businesses, and the deconsolidation of CommInsure Life.

Key Performance Indicators

Key Performance Indicators [2]	Half Year Ended [1] 31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Group Performance from continuing operations					
Statutory net profit after tax ($M)	**3,777**	3,007	4,452	26	(15)
Cash net profit after tax ($M)	**3,886**	2,940	4,356	32	(11)
Net interest margin (%)	**2. 01**	2. 04	2. 11	(3)bpts	(10)bpts
Operating expenses to total operating income (%)	**46.5**	48. 5	43. 3	(200)bpts	320 bpts
Spot number of full-time equivalent staff (FTE)	**42,720**	41,778	40,519	2	5
Effective corporate tax rate (%)	**29.5**	29.7	29.4	(20)bpts	10 bpts
Average interest earning assets ($M) [3]	**922,924**	913,139	881,850	1	5
Average interest bearing liabilities ($M) [3]	**776,387**	781,037	763,025	(1)	2
Funds under administration (FUA) - average ($M) [4]	**–**	–	15,332	–	large
Assets under management (AUM) - average ($M)	**18,179**	17,272	16,730	5	9
Group Performance including discontinued operations					
Statutory net profit after tax ($M)	**4,877**	3,473	6,161	40	(21)
Cash net profit after tax ($M)	**3,975**	2,955	4,494	35	(12)
Net interest margin (%)	**2. 01**	2. 04	2. 11	(3)bpts	(10)bpts
Operating expenses to total operating income (%)	**47.1**	50.1	44.3	(300)bpts	280 bpts
Spot number of full-time equivalent staff (FTE)	**44,548**	43,585	42,548	2	5
Effective corporate tax rate	**29.5**	29.8	29.3	(30)bpts	20 bpts
Average interest earning assets ($M) [3]	**923,211**	913,690	882,241	1	5
Average interest bearing liabilities ($M) [3]	**776,387**	781,037	763,253	(1)	2
Funds under administration (FUA) - average ($M) [5]	**149,491**	152,195	184,047	(2)	(19)
Assets under management (AUM) - average ($M) [6]	**18,179**	17,608	235,547	3	(92)

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
2 Presented on a "cash basis" unless stated otherwise.
3 Average interest earning assets are net of average mortgage offset balances. Average interest bearing liabilities exclude average mortgage offset balances.
4 Average FUA (continuing operations) has been calculated using the average for the period the Group owned Aegis up until 2 December 2019.
5 Average FUA (including discontinued operations) has been calculated using the average for the period the Group operated CommInsure Life up until 1 November 2019 and the Group owned Aegis up until 2 December 2019.
6 Average AUM has been calculated using the average for the period the Group owned CFSGAM up until 2 August 2019.

Highlights (continued)

Key Performance Indicators (continued)

Key Performance Indicators	Half Year Ended				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Shareholder Returns from continuing operations					
Earnings Per Share (EPS) (cents) [1]					
Statutory basis - basic	**213. 4**	170. 0	251. 7	26	(15)
Cash basis - basic	**219. 5**	166. 2	246. 2	32	(11)
Return on equity (ROE) (%) [1]					
Statutory basis	**10. 2**	8. 5	12. 6	170 bpts	(240)bpts
Cash basis	**10. 5**	8. 3	12. 3	220 bpts	(180)bpts
Shareholder Returns including discontinued operations					
Earnings Per Share (EPS) (cents) [1]					
Statutory basis - basic	**275. 5**	196. 3	348. 4	40	(21)
Cash basis - basic	**224. 5**	167. 1	254. 0	34	(12)
Return on equity (ROE) (%) [1]					
Statutory basis	**13. 2**	9. 8	17. 4	340 bpts	(420)bpts
Cash basis	**10. 7**	8. 3	12. 7	240 bpts	(200)bpts
Dividends per share - fully franked (cents)	**150**	98	200	53	(25)
Dividend cover - "statutory basis" (times)	**1. 8**	2. 0	1. 7	(10)	6
Dividend cover - "cash basis" (times)	**1. 5**	1. 7	1. 3	(12)	15
Dividend payout ratio (%) [1]					
Statutory basis	**54. 57**	49. 95	57. 47	462 bpts	(290)bpts
Cash basis	**66. 95**	58. 71	78. 78	large	large
Capital including discontinued operations					
Common Equity Tier 1 (Internationally Comparable) (%) [2]	**18. 7**	17. 4	17. 5	130 bpts	120 bpts
Common Equity Tier 1 (APRA) (%)	**12. 6**	11. 6	11. 7	100 bpts	90 bpts
Risk weighted assets (RWA) ($M) - Basel III	**453,616**	454,948	449,154	–	1
Leverage Ratio including discontinued operations					
Leverage Ratio (Internationally Comparable) (%) [2]	**6. 8**	6. 7	7. 0	10 bpts	(20)bpts
Leverage Ratio (APRA) (%)	**6. 0**	5. 9	6. 1	10 bpts	(10)bpts
Funding and Liquidity Metrics including discontinued operations					
Liquidity Coverage Ratio (%) [3]	**143**	155	134	large	large
Weighted Average Maturity of Long Term Debt (years) [4]	**5. 2**	5. 3	5. 4	(0.1) years	(0.2) years
Customer Deposit Funding Ratio (%)	**75**	74	71	100 bpts	400 bpts
Net Stable Funding Ratio (%)	**123**	120	114	300 bpts	large
Credit Quality Metrics including discontinued operations					
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**0. 22**	0. 48	0. 17	(26)bpts	5 bpts
Gross impaired assets as a % of GLAAs	**0. 39**	0. 46	0. 44	(7)bpts	(5)bpts
Credit risk weighted assets (RWA) ($M)	**376,900**	374,194	375,217	1	–

1 For definitions refer to Appendix 4.8.

2 Analysis aligns with the 13 July 2015 APRA study titled “International capital comparison study”.

3 Quarterly average.

4 Represents the weighted average maturity (WAM) of outstanding long-term wholesale debt with a residual maturity greater than 12 months including drawdown of the RBA Term Funding Facility (TFF). WAM as at 31 December 2020 excluding the TFF drawdown is 5.7 years.

Highlights (continued)

Key Performance Indicators (continued)

Key Performance Indicators	Half Year Ended [1]				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Retail Banking Services					
Statutory net profit after tax ($M)	**2,189**	1,878	2,305	17	(5)
Net interest margin (%) [2]	**2. 60**	2. 62	2. 65	(2)bpts	(5)bpts
Average interest earning assets (AIEA) ($M) [2,3]	**375,715**	371,519	365,200	1	3
Statutory operating expenses to total operating income (%)	**41. 0**	40. 7	40. 1	30 bpts	90 bpts
Risk weighted assets ($M) [4]	**165,036**	167,205	167,134	(1)	(1)
Business Banking					
Statutory net profit after tax ($M)	**1,321**	1,062	1,396	24	(5)
Net interest margin (%)	**3. 02**	3. 04	3. 16	(2)bpts	(14)bpts
Average interest earning assets ($M) [3]	**171,123**	170,381	170,671	–	–
Statutory operating expenses to total banking income (%)	**36. 8**	38. 0	35. 2	(120)bpts	160 bpts
Risk weighted assets ($M)	**137,962**	136,288	131,381	1	5
Institutional Banking and Markets					
Statutory net profit after tax ($M)	**423**	168	465	large	(9)
Net interest margin (%)	**0. 95**	0. 99	0. 98	(4)bpts	(3)bpts
Average interest earning assets ($M)	**144,716**	144,109	137,024	–	6
Statutory operating expenses to total banking income (%)	**39. 2**	48. 9	41. 2	large	(200)bpts
Risk weighted assets ($M)	**88,253**	93,325	84,413	(5)	5
New Zealand					
Statutory net profit after tax ($M)	**490**	446	505	10	(3)
Risk weighted assets - APRA basis ($M) [5]	**52,020**	50,812	52,612	2	(1)
Net interest margin (ASB) (%) [6]	**2. 09**	2. 09	2. 15	–	(6)bpts
Average interest earning assets (ASB) (NZ$M) [6]	**104,904**	102,345	98,839	3	6
Statutory operating expenses to total operating income (ASB) (%) [6]	**37. 0**	42. 7	38. 5	large	(150)bpts
FUA - average (ASB) (NZ$M) [6,7]	**–**	–	16,273	–	large
AUM - average (ASB) (NZ$M) [6]	**19,469**	18,156	17,706	7	10
Wealth Management [8]					
Statutory net profit after tax ($M)	**726**	337	1,698	large	(57)
Statutory operating expenses to total operating income (%)	**102. 1**	141. 0	11. 0	large	large
FUA - average ($M) [9]	**149,491**	152,195	158,654	(2)	(6)

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
2 Excludes Mortgage Broking and General Insurance.
3 Net of average mortgage offset balances.
4 Includes Mortgage Broking and General Insurance.
5 Risk weighted assets represent ASB only and are calculated in accordance with APRA requirements.
6 Key financial metrics represent ASB only and are calculated in New Zealand dollar terms.
7 Average FUA has been calculated using the average for the period the Group owned Aegis up until 2 December 2019.
8 Wealth Management is now classified as discontinued operations, and is presented as discontinued operations across all periods shown.
9 Average FUA includes Colonial First State (including Commonwealth Bank Group Super) and excludes CommInsure Life Investments.

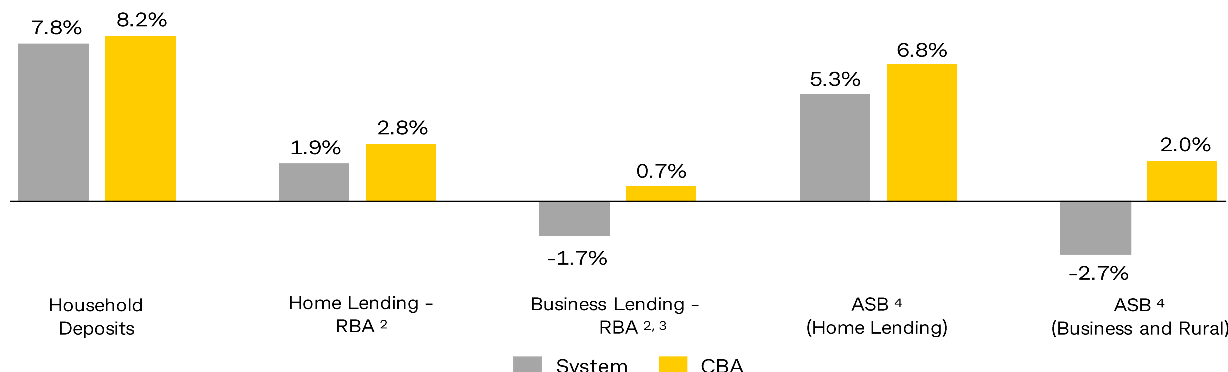
Highlights (continued)

Market Share

Market Share	31 Dec 20 %	30 Jun 20 %	31 Dec 19 %	Dec 20 vs Jun 20	Dec 20 vs Dec 19
	As at [1]				
Home loans - RBA [2]	**25. 2**	25. 0	24. 9	20 bpts	30 bpts
Home loans - APRA [3]	**25. 9**	25. 7	25. 5	20 bpts	40 bpts
Credit cards - APRA [3]	**27. 5**	26. 5	26. 6	100 bpts	90 bpts
Other household lending - APRA [3, 4]	**18. 6**	19. 0	19. 2	(40)bpts	(60)bpts
Household deposits - APRA [3]	**27. 2**	27. 1	26. 8	10 bpts	40 bpts
Business lending - RBA [2]	**15. 1**	14. 8	14. 7	30 bpts	40 bpts
Business lending - APRA [3]	**17. 3**	16. 8	16. 7	50 bpts	60 bpts
Business deposits - APRA [3]	**21. 3**	20. 5	20. 1	80 bpts	120 bpts
Equities trading [5]	**4. 8**	3. 7	2. 9	110 bpts	190 bpts
Australian Retail - administrator view [6]	**14. 4**	14. 7	14. 9	(30)bpts	(50)bpts
FirstChoice Platform [6]	**10. 9**	11. 0	10. 9	(10)bpts	–
NZ home loans [7]	**21. 8**	21. 5	21. 5	30 bpts	30 bpts
NZ customer deposits [7]	**18. 2**	18. 2	17. 8	–	40 bpts
NZ business lending [7,8]	**16. 6**	15. 6	15. 5	100 bpts	110 bpts
NZ retail AUM	**14. 9**	14. 8	14. 9	10 bpts	–

1 Comparatives have been updated to reflect market restatements. Refer to Market Share Definitions section in Appendix 4.8 for further information, including source materials.
2 System source: RBA Financial Aggregates.
3 System source: APRA's Monthly Authorised Deposit-taking Institution Statistics (MADIS) publication.
4 Other Household Lending market share includes personal loans, margin loans and other forms of lending to individuals.
5 Represents CommSec traded value (excluding AUSIEX) as a percentage of total Australian Equities markets, on a 12 month rolling average basis.
6 System source: Strategic Insights as at 30 September 2020 and includes Colonial First State only.
7 As at November 2020 due to a delay in the publishing of RBNZ data for December 2020.
8 Comparative market share rates have been normalised to exclude the impact of ANZ's sale of UDC Finance Limited in September 2020.

CBA growth against System [1]
Balance growth - 6 months to December 20



1 System source: RBA/APRA/RBNZ. CBA includes Bankwest.
2 System source: RBA Financial Aggregates.
3 CBA Domestic Business lending growth (including Institutional Lending but excludes Cash Management Pooling Facilities).
4 NZ system growth rates for the half year ended December 2020 are based on the run-rated growth rate for the five months to November 2020, due to a delay in the publishing of RBNZ December 2020 data.

Credit Ratings [1]

Credit Ratings	Long-term	Short-term	Outlook
Fitch Ratings	A+	F1	Negative
Moody's Investors Service	Aa3	P-1	Stable
S&P Global Ratings	AA-	A-1+	Negative

1 A negative rating outlook indicates that a credit rating may be lowered. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency. Ratings should be evaluated independently of any other information.

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Contents

3. Group Performance Analysis

Financial Performance and Business Review 33

Net Interest Income 35

Other Banking Income 37

Funds Management Income 38

Insurance Income 38

Operating Expenses 39

Investment Spend 40

Capitalised Software 41

Loan Impairment Expense 42

Taxation Expense 43

Group Assets and Liabilities 44

Group Performance Analysis

Financial Performance and Business Review

Performance Overview – historical comparisons are versus prior comparative period unless stated otherwise (continuing operations basis[1]).

The Bank's statutory net profit after tax (NPAT) from continuing operations for the half year ended 31 December 2020 decreased $675 million or 15.2% on the prior comparative period to $3,777 million. The Bank's statutory NPAT (including discontinued operations) for the half year ended 31 December 2020 decreased $1,284 million or 20.8% on the prior comparative period to $4,877 million. The decrease was driven by lower net operating income, higher operating expenses and loan impairment expense, and lower net profit from discontinued operations.

Cash net profit after tax ("cash NPAT" or "cash profit") from continuing operations decreased $470 million or 10.8% on the prior comparative period to $3,886 million. The result was driven by a 0.5% decrease in operating income, a 6.9% increase in operating expenses and a 35.9% increase in loan impairment expense.

Operating income decreased 0.5% on the prior comparative period. Key movements included:

- Net interest income increased 0.2% primarily driven by a $41 billion or 4.7% increase in average interest earning assets (AIEA), mainly due to growth in home loans, business loans and non-lending interest earning assets. This was offset by a 10 basis point or 4.7% reduction in Net Interest Margin (NIM), mainly due to higher liquid assets, and the impact of the low-rate environment on deposit margins and earnings on capital, partly offset by the benefit from lower wholesale funding costs;
- Other banking income decreased 4.9%, primarily driven by lower retail banking fee income from a decline in spend and transaction volumes due to the impact of COVID-19, and the impairment of aircraft, which are owned by the Group and leased to various airlines, partly offset by higher Global Markets trading income and higher CommSec equities income from increased trading volumes and active customer numbers;
- Funds management income decreased 18.4%, primarily driven by the wind down of the Aligned Advice businesses[2]; and
- Insurance income increased $59 million, primarily driven by lower claims experience mainly due to the absence of bushfire related claims in the current half.

Operating expenses increased 6.9%. Excluding "remediation costs and other[3]" (as described in more detail below), operating expenses increased 2.3%, due to higher investment spend, increased financial assistance and operations staffing, mainly in response to COVID-19 and higher home and business lending volumes, higher occupancy, wage inflation, and volume driven IT costs, partly offset by lower discretionary spend and business simplification initiatives.

Loan impairment expense (LIE) increased 35.9%, primarily driven by higher collective provisions mainly due to increased forward looking adjustments reflecting uncertainty in the economic outlook as a result of COVID-19.

CET1 increased by 100 basis points from 30 June 2020 to 12.6%, well above APRA's 'unquestionably strong' benchmark of 10.5%. The increase was primarily driven by capital generated from earnings (+88bps), benefits from divestments (+42bps), and a 50% reduction in APRA's Operational Risk capital add-on (+17bps) [4]. This was partly offset by the 2020 final dividend payment (-32bps), and an increase in risk weighted assets (-13bps).

Earnings per share ("statutory basis") was down 15.2% on the prior comparative period at 213.4 cents per share, primarily due to the decrease in profit.

Return on equity ("statutory basis") decreased 240 basis points to 10.2% due to the impact of lower profit and an increase in capital levels.

The Group declared an interim dividend of $1.50 per share, which is equivalent to 66.95% of the Bank's cash profit.

Balance sheet strength and resilience is a key priority for the Bank. The Bank has managed key balance sheet risks in what management believes to be a sustainable and conservative manner, and has made strategic decisions to ensure strength in capital, funding and liquidity. In particular, the Bank has:

- Satisfied a significant proportion of its funding requirements from customer deposits, accounting for 75% of total funding at 31 December 2020 (up from 71% at 31 December 2019);
- Issued new long-term wholesale funding of $2.1 billion, and accessed an additional $17.6 billion of the RBA Term Funding Facility (TFF). As at 31 December 2020, $19.1 billion of the TFF has been drawn. Including the TFF, the portfolio WAM[5] was 5.2 years (down from 5.4 years as at 31 December 2019);
- Maintained its strong funding position, with long-term wholesale funding accounting for 69% of total wholesale funding (up from 66% at 31 December 2019); and
- Managed the level of liquid assets and customer deposit growth to maintain its strong funding and liquidity positions, as illustrated by the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) being well above the regulatory minimum.

1 The financial results of discontinued operations are excluded from the individual account lines of the Bank's performance and are reported as a single cash net profit after tax line item. Discontinued operations include Colonial First State (CFS), CommInsure Life, BoCommLife, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life.

2 Refer to Note 7.3 to the Financial Statements included in this Document for further information.

3 For further details on remediation costs and other refer to page 34 and Note 7.2 to the Financial Statements included in this Document.

4 Refer to Note 7.2 to the Financial Statements included in this Document for further information.

5 The portfolio WAM excluding the TFF was 5.7 years (up from 5.4 years as at 31 December 2019).

Financial Performance and Business Review (continued)

Performance Overview (continued)

The Bank's financial result was impacted by remediation costs and other expenses. In order to present a transparent view of the business' performance, operating expenses are shown both before and after these items.

	Half Year Ended [1] ("cash basis")				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
Group Performance Summary	**$M**	$M	$M	Jun 20 %	Dec 19 %
Total operating income	**11,961**	11,738	12,023	2	(1)
Operating expenses excluding remediation costs and other	**(5,325)**	(5,235)	(5,206)	2	2
Remediation costs and other [2]	**(241)**	(454)	–	(47)	n/a
Total operating expenses	**(5,566)**	(5,689)	(5,206)	(2)	7
Loan impairment expense	**(882)**	(1,869)	(649)	(53)	36
Net profit before tax	**5,513**	4,180	6,168	32	(11)
Corporate tax expense	**(1,627)**	(1,240)	(1,812)	31	(10)
Non-controlling interests - continuing operations	**–**	–	–	–	–
Net profit after tax from continuing operations ("cash basis")	**3,886**	2,940	4,356	32	(11)
Non-cash items - continuing operations [3]	**(109)**	67	96	large	large
Net profit after tax from continuing operations ("statutory basis")	**3,777**	3,007	4,452	26	(15)
Net profit after tax from discontinued operations ("cash basis")	**89**	15	141	large	(37)
Non-cash items - discontinued operations [3]	**1,011**	451	1,571	large	(36)
Non-controlling interests - discontinued operations [4]	**–**	–	(3)	–	large
Net profit after tax ("statutory basis")	**4,877**	3,473	6,161	40	(21)

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

2 The half year ended 31 December 2020 includes $118 million of additional provisions for historical Aligned Advice remediation issues and associated program costs, and $123 million of Banking and other Wealth related customer remediation and other litigation provisions. The half year ended 30 June 2020 includes a $300 million provision for historical Aligned Advice remediation issues and associated program costs, $94 million of Wealth and Banking customer refunds and associated program costs, and a $60 million increase in provisions for other remediation items, including to address New Zealand Compliance Audit findings related to holiday pay. The half year ended 31 December 2019 includes other expenses including approximately a $220 million one-off impact of accelerated amortisation following a review of the amortisation method and the useful life of certain technology assets, as well as a one-off benefit from the release of a historical provision which was no longer required, and other rebates (these items net to nil). Refer to Note 7.2 to the Financial Statements included in this Document for further information.

3 The financial results of discontinued operations are excluded from the individual account lines of the Bank's performance and are reported as a single cash net profit after tax line item. Discontinued operations includes Colonial First State (CFS), CommInsure Life, BoCommLife, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life and non-controlling interests related to discontinued operations. Refer to page 26 for more information.

4 Non-controlling interests in discontinued operations includes a 20% outside equity interest in PT Commonwealth Life up until 4 June 2020.

Net Interest Income (continuing operations basis)

	Half Year Ended				
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Net interest income - "statutory basis"	**9,371**	9,260	9,350	1	–
Average interest earning assets					
Home loans [1]	**494,736**	489,014	480,140	1	3
Consumer finance	**17,257**	19,735	21,250	(13)	(19)
Business and corporate loans	**216,472**	220,060	215,886	(2)	–
Total average lending interest earning assets	**728,465**	728,809	717,276	–	2
Non-lending interest earning assets [2]	**194,459**	184,330	164,574	5	18
Total average interest earning assets	**922,924**	913,139	881,850	1	5
Net interest margin (%)	**2. 01**	2. 04	2. 11	(3)bpts	(10)bpts

1 Net of average mortgage offset balances. Gross average home loans balance, excluding mortgage offset accounts was $549,776 million for the half year ended 31 December 2020 ($539,132 million for the half year ended 30 June 2020, $527,650 million for the half year ended 31 December 2019). While these balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the Bank's net interest margin.

2 Average interest earning assets is presented on a continuing operations basis (excluding assets held for sale). For the half year ended 31 December 2020, $287 million of non-lending interest earning assets have been reclassified to assets held for sale ($550 million for the half year ended 30 June 2020 and $391 million for the half year ended 31 December 2019).

Half Year Ended December 2020 versus December 2019

Net interest income ("statutory basis") was $9,371 million, an increase of $21 million or flat on the prior comparative period. The result was driven by a $41 billion or 5% increase in average interest earning assets to $923 billion, partly offset by a 10 basis point or 5% decrease in net interest margin to 2.01%.

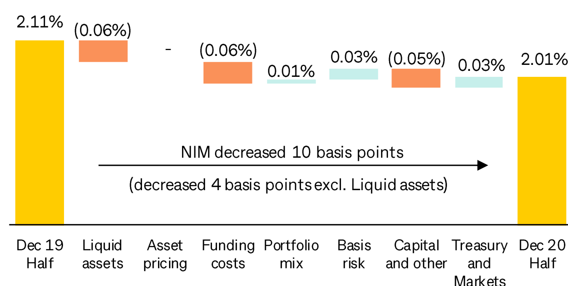
Average Interest Earning Assets

Average interest earning assets increased $41 billion or 5% on the prior comparative period to $923 billion.

- Home loan average balances increased $15 billion or 3% on the prior comparative period to $495 billion, driven by strong new business application volumes and continued focus on credit decisioning turnaround times;
- Consumer finance average balances decreased $4 billion or 19% on the prior comparative period to $17 billion, driven by lower consumer demand for unsecured lending, lower discretionary spend due to COVID-19, and increased customer repayments following fiscal and regulatory income support measures;
- Business and corporate loan average balances increased $1 billion or flat on the prior comparative period to $216 billion, driven by an increase in business lending, partly offset by a decline in institutional lending balances due to a continued focus on risk-adjusted returns in a highly liquid capital market; and
- Non-lending interest earning asset average balances increased $30 billion or 18% on the prior comparative period to $194 billion, driven by a $19 billion increase in average liquid asset balances due to strong customer deposit growth, and an $11 billion increase in average trading asset balances mainly in Global Markets due to increased government bond holdings and higher commodities financing balances.

For further details on the balance sheet movements refer to the 'Group Assets and Liabilities' on page 44.

NIM movement since December 2019



Net Interest Margin

The Bank's net interest margin decreased 10 basis points on the prior comparative period to 2.01%. The key drivers of the movement were:

Liquid assets: Decreased margin by 6 basis points driven by increased lower yielding non-lending interest earning assets, including liquid assets.

Asset pricing: Flat, reflecting higher home lending margins (up 3 basis points), offset by reduced business lending margins (down 2 basis points) from repricing actions to support businesses during COVID-19 and lower consumer finance margins (down 1 basis point). Increased home lending margins were driven by repricing (up 11 basis points), partly offset by the impact of customers switching from higher margin loans to lower margin loans (down 4 basis points) and increased competition (down 4 basis points).

Funding costs: Decreased margin by 6 basis points, reflecting lower earnings on transaction and savings deposits due to the decreases in the cash rate (down 11 basis points), partly offset by a higher benefit from the replicating portfolio (up 3 basis points) and the benefit from lower wholesale funding costs (up 2 basis points).

Group Performance Analysis (continued)

Net Interest Income (continued)

Portfolio Mix: Increased margin by 1 basis point due to a higher deposit funding ratio (31 December 2020: 75%; 31 December 2019: 71%) driven by strong growth in transaction and savings deposits (up 4 basis points), partly offset by the unfavourable impact from asset mix with a decline in higher margin consumer finance balances (down 3 basis points).

Basis Risk: Basis Risk arises from the spread between the 3 month bank bill swap rate and the 3 month overnight index swap rate. The Bank's margin increased 3 basis points reflecting a decrease in the average spread notwithstanding a structural reduction in exposure to basis risk from strong growth in cash rate linked deposits and a mix shift towards fixed rate home loans.

Capital and other: Decreased margin by 5 basis points driven by lower earnings on capital due to the falling interest rate environment (down 4 basis points) and reduced contribution from New Zealand (down 1 basis point) reflecting the impact from decreases in the RBNZ cash rate.

Treasury and Markets: Increased margin by 3 basis points driven by higher bonds and commodities financing income in Global Markets.

Half Year Ended December 2020 versus June 2020

Net interest income ("statutory basis") increased $111 million or 1% on the prior half, driven by a $10 billion or 1% increase in average interest earning assets and the benefit of two additional calendar days in the current half, partly offset by a 3 basis point or 1% decrease in net interest margin.

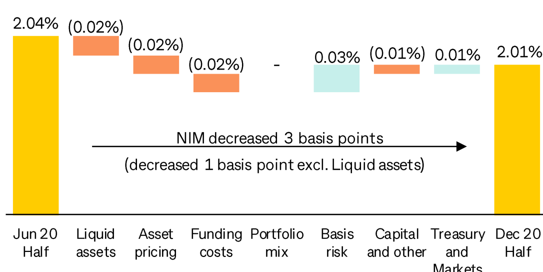
Average Interest Earning Assets

Average interest earning assets increased $10 billion or 1% on the prior half.

- Home loan average balances increased $6 billion or 1% on the prior half, driven by strong new business application volumes and continued focus on credit decisioning turnaround times;
- Consumer finance average balances decreased $2 billion or 13% on the prior half, driven by lower consumer demand for unsecured lending and increased customer repayments following fiscal and regulatory income support measures;
- Business and corporate loan average balances decreased $4 billion or 2% on the prior half, driven by lower institutional lending due to a continued focus on risk-adjusted returns in a highly liquid capital market, partly offset by an increase in business lending; and
- Non-lending interest earning asset average balances increased $10 billion or 5% on the prior half, driven by an $8 billion increase in average trading asset balances mainly in Global Markets, due to increased government bond holdings and higher commodities financing balances, and a $2 billion increase in average liquid asset balances from strong customer deposit growth.

For further details on the balance sheet movements refer to the 'Group Assets and Liabilities' on page 44.

NIM movement since June 2020



Net Interest Margin

The Bank's net interest margin decreased 3 basis points on the prior half. The key drivers of the movement were:

Liquid assets: Decreased margin by 2 basis points driven by increased lower yielding non-lending interest earning assets, including liquid assets.

Asset pricing: Decreased margin by 2 basis points driven by home lending (down 1 basis point) and consumer finance (down 1 basis point). Decreased home lending margins reflect the impact of customers switching from higher margin loans to lower margin loans (down 3 basis points) and increased competition (down 2 basis points), partly offset by repricing (up 4 basis points).

Funding costs: Decreased margin by 2 basis points, reflecting lower earnings on transaction and savings deposits due to the decreases in the cash rate (down 3 basis points) and reduced earnings on investment deposits due to lower swap rates (down 1 basis point), partly offset by a higher benefit from the replicating portfolio (up 1 basis point) and the benefit from lower wholesale funding costs (up 1 basis point).

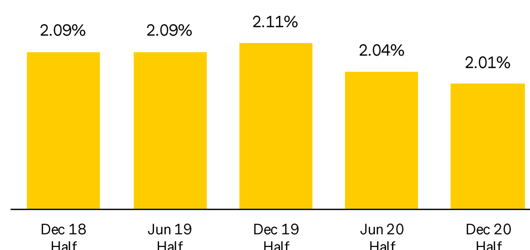
Portfolio Mix: Flat, reflecting a higher deposit funding ratio (31 December 2020: 75%; 30 June 2020: 74%) driven by strong growth in transaction and savings deposits (up 2 basis points), offset by an unfavourable impact from asset mix, mainly due to a decline in higher margin consumer finance balances (down 2 basis points).

Basis Risk: The Bank's margin increased 3 basis points reflecting a decrease in the average spread notwithstanding a structural reduction in exposure to basis risk due to strong growth in cash rate linked deposits and a mix shift towards fixed rate home loans.

Capital and other: Decreased margin by 1 basis point driven by lower earnings on capital due to the falling interest rate environment.

Treasury and Markets: Increased margin by 1 basis point driven by higher bonds and commodities financing income in Global Markets.

NIM (Half Year Ended)



Other Banking Income (continuing operations basis)

	Half Year Ended				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
	$M	$M	$M	Jun 20 %	Dec 19 %
Commissions	**1,299**	1,236	1,321	5	(2)
Lending fees	**525**	503	483	4	9
Trading income	**535**	432	508	24	5
Other income	**60**	123	231	(51)	(74)
Other banking income - "cash basis"	**2,419**	2,294	2,543	5	(5)
Hedging and IFRS volatility	**(6)**	82	54	large	large
(Loss)/gain on disposal and acquisition of controlled entities	**(59)**	32	(3)	large	large
Other banking income - "statutory basis"	**2,354**	2,408	2,594	(2)	(9)

Half Year Ended December 2020 versus December 2019

Other banking income ("statutory basis") was $2,354 million, a decrease of $240 million or 9% on the prior comparative period. The key drivers were:

Commissions decreased by $22 million or 2% to $1,299 million, mainly driven by lower credit card, retail foreign exchange and deposit income primarily due to a decline in spend and transaction volumes due to the impact of COVID-19. This was partly offset by higher equities income from increased trading volumes and an increase in active customer numbers.

Lending fees increased by $42 million or 9% to $525 million, mainly driven by higher institutional lending undrawn commitment fees reflecting lower utilisation from reduced client financing activities as a result of COVID-19.

Trading income increased by $27 million or 5% to $535 million, driven by higher Global Markets trading income from commodities financing and gains in the fixed income and rates portfolio, partly offset by lower Global Markets sales income driven by reduced client demand for hedging activities due to lower volatility in the low-rate environment.

Other income decreased by $171 million or 74% to $60 million, primarily driven by the impairment of aircraft, which are owned by the Group and leased to various airlines, and lower Treasury income due to upfront break costs on the buyback of term debt and lower gains on the sale of liquid assets. This was partly offset by a payment received from AIA reflecting progress in meeting partnership milestones related to the divestment of CommInsure Life.

Gain/(Loss) on disposal and acquisition of entities net of transaction costs decreased by $56 million on the prior comparative period. The decrease was driven by foreign currency translation reserve recycling.

Hedging and IFRS volatility decreased $60 million on the prior comparative period primarily driven by the non-recurrence of gains on the hedge of New Zealand earnings in the prior comparative period.

Half Year Ended December 2020 versus June 2020

Other banking income ("statutory basis") decreased by $54 million or 2% on the prior half. The key drivers were:

Commissions increased by $63 million or 5%, mainly driven by higher merchants income due to the non-recurrence of COVID-19 fee waivers that were provided in the prior half and increased volumes, and higher equities income from increased trading volumes and an increase in active customer numbers. This was partly offset by lower deposit and retail foreign exchange income primarily due to a decline in international transaction volumes and volume-based fees due to the impact of COVID-19.

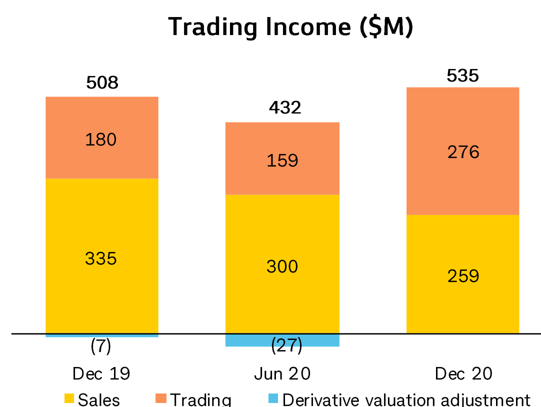
Lending fees increased by $22 million or 4%, mainly driven by higher business lending fee income reflecting volume growth, and higher institutional lending undrawn commitment fees reflecting lower utilisation from reduced client financing activities as a result of COVID-19.

Trading income increased by $103 million or 24%, driven by higher Global Markets trading income from commodities financing, and favourable derivative valuation adjustments. This was partly offset by lower Global Markets sales income driven by reduced client demand for hedging activities due to lower volatility in the low-rate environment.

Other income decreased by $63 million or 51%, primarily driven by lower Treasury income due to upfront break costs on the buyback of term debt, lower AIA partnership payments driven by one additional milestone occurring in the prior half, and higher impairment of aircraft in the current half. This was partly offset by higher net profits from minority investments.

Gain/(Loss) on disposal and acquisition of entities net of transaction costs decreased by $91 million on the prior half. The decrease was driven by foreign currency translation reserve recycling.

Hedging and IFRS volatility decreased $88 million on the prior half primarily driven by the non-recurrence of gains on the hedge of New Zealand earnings in the prior half.



Funds Management Income (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
	$M	$M	$M	Jun 20 %	Dec 19 %
Retail Banking Services [2]	**15**	16	51	(6)	(71)
New Zealand	**68**	65	71	5	(4)
Other	**(3)**	(6)	(24)	(50)	(88)
Funds management income - "statutory basis"	**80**	75	98	7	(18)
Funds Under Administration (FUA) - average ($M) [3]	**–**	–	15,332	–	large
Assets Under Management (AUM) - average ($M) [4]	**18,179**	17,272	16,730	5	9

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
2 Retail Banking Services incorporates the results of Commonwealth Financial Planning and the Aligned Advice businesses. Refer to Note 7.3 to the Financial Statements included in this Document for further information.
3 Average FUA has been calculated using the average for the period the Group owned Aegis up until 2 December 2019. All average FUA balances relate to New Zealand.
4 All average AUM balances relate to New Zealand.

Half Year Ended December 2020 versus December 2019

Funds management income ("statutory basis") was $80 million, a decrease of $18 million or 18% on the prior comparative period. The key drivers were:

- A decrease in Retail Banking Services of $36 million or 71% to $15 million, reflecting the wind-down of the Aligned Advice businesses; and
- A decrease in New Zealand of $3 million or 4% to $68 million, driven by lower income due to the sale of the Aegis business on 2 December 2019, partly offset by higher average AUM (up 9%) reflecting net inflows and favourable investment markets.

Half Year Ended December 2020 versus June 2020

Funds management income ("statutory basis") increased $5 million or 7% on the prior half. The key drivers were:

- An increase in New Zealand of $3 million or 5%, driven by higher average AUM (up 5%) reflecting net inflows and favourable investment markets; partly offset by
- A decrease in Retail Banking Services of $1 million or 6%, reflecting the wind-down of the Aligned Advice businesses.

Insurance Income (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
	$M	$M	$M	Jun 20 %	Dec 19 %
Insurance income - "statutory basis"	**91**	109	32	(17)	large

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

Half Year Ended December 2020 versus December 2019

Insurance income ("statutory basis") was $91 million, an increase of $59 million on the prior comparative period. This result was driven by lower claims experience net of reinsurance recoveries, mainly due to the absence of bushfire related claims in the current half.

Half Year Ended December 2020 versus June 2020

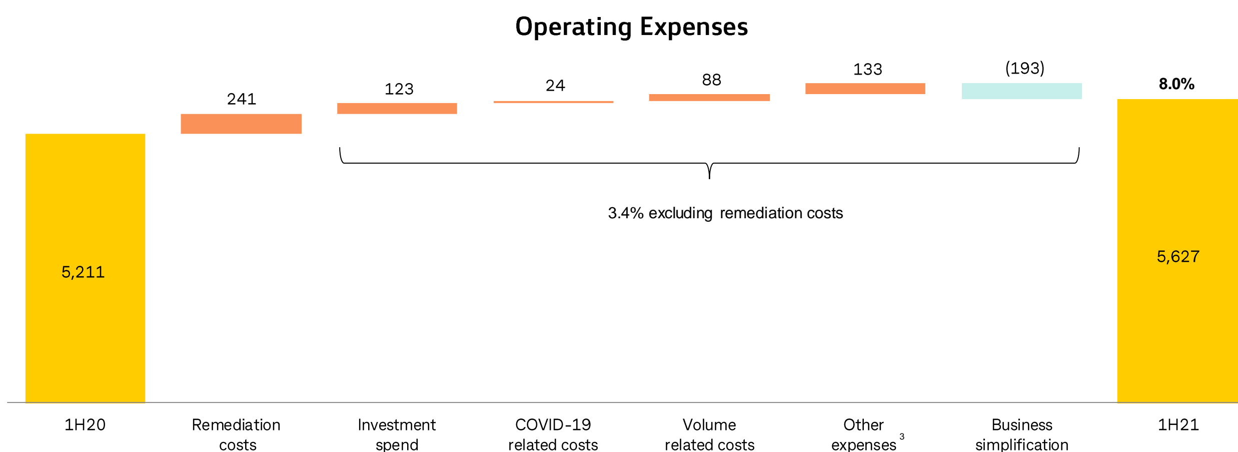
Insurance income ("statutory basis") decreased $18 million or 17% on the prior half. This result was driven by higher claims experience net of reinsurance recoveries, mainly due to the October 2020 Queensland hail storms.

Operating Expenses (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Staff expenses	**2,986**	2,831	2,898	5	3
Occupancy and equipment expenses	**576**	566	519	2	11
Information technology services expenses	**962**	992	940	(3)	2
Other expenses	**801**	846	849	(5)	(6)
Operating expenses excluding remediation costs and other - "cash basis"	**5,325**	5,235	5,206	2	2
Restructuring, separation and transaction costs	**61**	29	5	large	large
Operating expenses excluding remediation costs and other - "statutory basis"	**5,386**	5,264	5,211	2	3
Remediation costs and other [2]	**241**	454	–	(47)	n/a
Operating expenses including remediation costs and other - "statutory basis"	**5,627**	5,718	5,211	(2)	8
Operating expenses to total operating income excluding remediation costs and other (%) - "statutory basis"	**45. 3**	44. 4	43. 2	90 bpts	210 bpts
Operating expenses to total operating income (%) - "statutory basis"	**47. 3**	48. 2	43. 2	(90)bpts	410 bpts
Average number of full-time equivalent staff (FTE)	**42,185**	41,147	40,879	3	3
Spot number of full-time equivalent staff (FTE)	**42,720**	41,778	40,519	2	5
Spot number of full-time equivalent staff (FTE) - Australia	**34,823**	34,528	33,321	1	5

1 Comparative Information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

2 For further details on remediation costs and other refer to page 34, and Note 7.2 to the Financial Statements included in this Document.



3 Includes restructuring, separation and transaction costs associated with previously announced divestments.[4]

Half Year Ended December 2020 versus December 2019

Operating expenses ("statutory basis") excluding remediation costs and other were $5,386 million, an increase of $175 million or 3% on the prior comparative period. The key drivers were:

Staff expenses increased by $88 million or 3% to $2,986 million, mainly driven by wage inflation and increased full-time equivalent staff (FTE). The average number of FTE increased by 1,306 or 3% from 40,879 to 42,185, primarily due to additional project resources as we continue to invest in our digital capabilities, innovation and risk and compliance initiatives, increased financial assistance and operations staffing, mainly in response to COVID-19 and higher home and business lending volumes, and additional frontline business bankers, partly offset by business simplification initiatives.

Occupancy and equipment expenses increased by $57 million or 11% to $576 million, primarily driven by higher depreciation following the completion of new corporate offices, annual rental reviews and increased cleaning and maintenance costs due to COVID-19.

Information technology services expenses increased by $22 million or 2% to $962 million. This was primarily driven by higher investment spend, and increased IT infrastructure costs including higher compute volumes and cloud usage, partly offset by lower amortisation.

Other expenses decreased by $48 million or 6% to $801 million, primarily driven by reduced credit card loyalty redemptions, lower discretionary spend and business simplification initiatives.

Restructuring, separation and transaction costs increased $56 million to $61 million primarily due to increased transaction and separation costs from the divestment [4] of AUSIEX and AHL.

Operating expenses to total operating income ratio excluding remediation costs and other ("statutory basis") increased 210 basis points from 43.2% to 45.3%.

4 Refer to Note 7.3 to the Financial Statements included in this Document for further information.

Operating Expenses (continued)

Half Year Ended December 2020 versus June 2020

Operating expenses ("statutory basis") excluding remediation costs and other increased $122 million or 2% on the prior half. The key drivers were:

Staff expenses increased by $155 million or 5%, mainly driven by wage inflation, increased FTE and higher long service leave and superannuation provisions due to a reduction in discount rates in the falling rate environment. The average number of FTE increased by 1,038 or 3% from 41,147 to 42,185, primarily due to additional project resources as we continue to invest in our digital capabilities, innovation and risk and compliance initiatives, increased operations staffing, mainly in response to higher home and business lending volumes, and additional frontline business bankers, partly offset by business simplification initiatives.

Occupancy and equipment expenses increased by $10 million or 2%, primarily due to higher depreciation following the completion of new corporate offices and annual rental reviews.

Information technology services expenses decreased by $30 million or 3%, primarily due to lower amortisation partly offset by higher investment spend and increased IT infrastructure costs including higher compute volumes and cloud usage.

Other expenses decreased by $45 million or 5%, primarily driven by lower discretionary spend and the non-recurrence of one-off costs associated with the bushfire recovery grants incurred in the prior half.

Restructuring, separation and transaction costs increased $32 million to $61 million primarily due to increased transaction and separation costs from the divestment of AHL.

Operating expenses to total operating income ratio excluding remediation costs and other ("statutory basis") increased 90 basis points from 44.4% to 45.3%.

Investment Spend (continuing operations basis)

	Half Year Ended				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
	$M	$M	$M	Jun 20 %	Dec 19 %
Expensed investment spend [1]	**473**	421	350	12	35
Capitalised investment spend [2]	**383**	377	289	2	33
Investment spend	**856**	798	639	7	34
Comprising:					
Risk and compliance	**553**	576	465	(4)	19
Productivity and growth	**234**	176	125	33	87
Branch refurbishment and other	**69**	46	49	50	41
Investment spend	**856**	798	639	7	34

1 Included within the operating expenses disclosure on page 39.

2 Includes software capitalised investment spend and non-software capitalised investment spend, primarily related to branch refurbishments and the development of the corporate and supporting offices.

Half Year Ended December 2020 versus December 2019

The Bank has continued to invest in becoming a simpler and better bank for our customers with $856 million of investment spend incurred in the half year ended 31 December 2020, an increase of $217 million or 34% on the prior comparative period. This is mainly driven by an increase of $109 million in spending on productivity and growth initiatives.

In the current period, productivity and growth initiatives accounted for 27% of investment spend, an increase from 20% in the prior comparative period. The Bank has increased focus on strengthening capabilities and extending our digital leadership through the ongoing modernisation of our digital platform to provide integrated and personalised experiences for our customers, and innovating for future growth through initiatives such as x15 [1] ventures, capability enhancement of the New Payment Platform, and ongoing advancement of the digital interface for our home loan and everyday banking customers.

Risk and compliance projects accounted for 65% of investment spend, a decrease from 73% in the prior comparative period. While risk and compliance initiatives continue to be a focus for the Bank, significant progress on our regulatory and compliance frameworks and obligations has allowed for an increased proportion of funding to be allocated to delivering strategic priorities for the business.

Key areas of investment across each of the categories are outlined below.

Risk and Compliance

Financial Crimes Compliance

The Bank believes it has continued to strengthen Financial Crimes Compliance as part of a comprehensive program of investment, including:

- Anti-money laundering and counter-terrorism financing (AML/CTF) compliance, including upgrading and enhancing our AML/CTF technology, updating our process documentation, investing in further capability and improving the training of our personnel;
- Enhancing Customer Risk Assessment capability, and strengthening data controls and processes to improve data quality; and
- Enhancing the Bank's processes for monitoring, managing, reporting and controlling financial crime across all of its operations, including how the Bank engages with

1 x15 is a wholly-owned subsidiary of CBA, and an Australian venture building entity, designed to deliver new digital solutions to benefit consumers and businesses.

Investment Spend (continued)

Financial Crimes Compliance (continued)

and informs AUSTRAC and other regulators, and improving the Group's operating model to provide increased capability in the management of financial crime risk.

Other Risk and Compliance

The Bank has continued to invest in the following:

- Implementing new processes and enhancing systems to address new regulations including the Comprehensive Credit Reporting Regime, Banking Code of Practice and Open Banking;
- Upgrading trading platforms to enable additional functionalities to achieve compliance with new market regulations and reduce operational risk;
- Continuing investment in protecting customers and the Bank against cyber security risks, and data and privacy breaches;
- Enhancing system integration and controls to improve quality and lineage of data;
- Improving the collections environment by building a resilient and simplified ecosystem; and
- Other work improving the resilience of the Bank's IT infrastructure and data centres.

Productivity and Growth

The Bank has continued to invest in the following:

- Ongoing development of CommBank applications and digital channels to improve the customer service experience and the resilience of the digital infrastructure;
- Commercial lending systems to upgrade the end-to-end process for loan origination and maintenance, to improve business customer experiences;
- Enhancing technology and services to assist merchant customers, including developing a self-service merchant portal and deploying the next generation smart payment device offering;
- Accelerating the use of cloud-based technology to reduce the cost of ownership of IT infrastructure;
- Simplifying and automating manual back-end processes and systems to improve customer experience and deliver cost savings; and
- Collaborating with our partners in initiatives including additional features for our core products and support for our customers.

Branch Refurbishment and Other

The Bank has continued to invest in the following:

- Retail branch refurbishment as our branch design is constantly evolving to reflect changes in customer preferences; and
- Consolidation and development of corporate offices as existing leases expire.

Capitalised Software

	Half Year Ended				
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Opening Balance	**1,349**	1,418	1,712	(5)	(21)
Additions	**291**	206	201	41	45
Amortisation and write-offs	**(243)**	(274)	(495)	(11)	(51)
Reclassification to assets held for sale	**–**	(1)	–	large	–
Closing balance	**1,397**	1,349	1,418	4	(1)

Half Year Ended December 2020 versus December 2019

Capitalised software balance decreased $21 million or 1% to $1,397 million. The key drivers were:

Additions increased by $90 million or 45% to $291 million, due to higher capitalised investment spend in relation to productivity and growth initiatives, including enhancements to the Bank's digital channels and sales management capabilities.

Amortisation and write-offs decreased by $252 million or 51% to $243 million, driven by the non-recurrence of the accelerated amortisation of certain capitalised software balances in the prior comparative period, and lower capitalised software balances.

Half Year Ended December 2020 versus June 2020

Capitalised software balance increased $48 million or 4% on the prior half. The key drivers were:

Additions increased by $85 million or 41%, due to higher capitalised investment spend in relation to productivity and growth initiatives, including enhancements to the Bank's digital channels and sales management capabilities.

Amortisation and write-offs decreased by $31 million or 11% due to lower capitalised software balances.

Loan Impairment Expense (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
	$M	$M	$M	Jun 20 %	Dec 19 %
Retail Banking Services	**308**	768	266	(60)	16
Business Banking	**286**	550	234	(48)	22
Institutional Banking and Markets	**177**	286	67	(38)	large
New Zealand	**27**	271	21	(90)	29
IFS and Corporate Centre	**84**	(6)	61	large	38
Loan impairment expense	**882**	1,869	649	(53)	36

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

Half Year Ended December 2020 versus December 2019

Loan impairment expense was $882 million, an increase of $233 million or 36% on the prior comparative period. This was driven by:

- An increase in Institutional Banking and Markets of $110 million to $177 million, driven by higher collective provisions mainly due to increased forward looking adjustments reflecting uncertainty in the economic outlook, in particular within the Aviation sector due to COVID-19 travel restrictions, partly offset by lower individual provisions;
- An increase in Business Banking of $52 million or 22% to $286 million, driven by higher collective provisions mainly due to increased forward looking adjustments reflecting uncertainty in the economic outlook, in particular Accommodation, Cafes and Restaurants, and Commercial Property, due to the impact of COVID-19. The increase was also driven by portfolio growth, and higher individual provisions driven by a small number of large exposures;
- An increase in Retail Banking Services of $42 million or 16% to $308 million, driven by higher collective provisions mainly due to increased forward looking adjustments reflecting uncertainty in the economic outlook as a result of COVID-19, partly offset by lower consumer finance balances;
- An increase in IFS and Corporate Centre of $23 million or 38% to $84 million, mainly driven by a higher central management overlay; and
- An increase in New Zealand of $6 million or 29% to $27 million, driven by higher collective provisions in the business portfolio mainly due to increased forward looking adjustments reflecting uncertainty in the economic outlook, in particular Commercial Property, Accommodation, Cafes and Restaurants, due to the impact of COVID-19, partly offset by lower consumer impairment expenses in the current half.

Loan impairment expense as a percentage of average gross loans and acceptances (GLAAs) increased 5 basis points to 22 basis points.

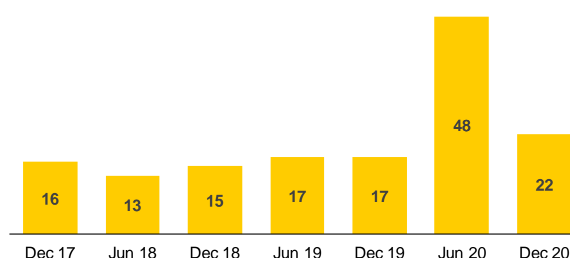
Half Year Ended December 2020 versus June 2020

Loan impairment expense decreased by $987 million or 53% on the prior half. This was driven by:

- A decrease in Retail Banking Services of $460 million or 60%, driven by higher collective provision charges recognised in the prior half, mainly due to the impact of COVID-19, lower consumer finance balances and reduced arrears;
- A decrease in Business Banking of $264 million or 48%, driven by higher collective provision charges recognised in the prior half, mainly due to the impact of COVID-19;
- A decrease in New Zealand of $244 million or 90%, driven by higher collective and individually assessed provision charges recognised in the prior half, mainly due to the impact of COVID-19; and
- A decrease in Institutional Banking and Markets of $109 million or 38%, driven by higher collective and individually assessed provision charges recognised in the prior half, mainly due to the impact of COVID-19, partly offset by an increase in forward looking adjustments for the Aviation sector in the current half; partly offset by
- An increase in IFS and Corporate Centre of $90 million, mainly driven by a central management overlay in the current half, and the non-recurrence of an impairment benefit in prior half from the release of a centrally held provision for drought affected agriculture and associated regional communities in NSW and Queensland.

Loan impairment expense annualised as a percentage of average GLAAs decreased 26 basis points.

Half Year Loan Impairment Expense annualised as a percentage of average GLAAs (bpts)



Taxation Expense (continuing operations basis)

	Half Year Ended				
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Corporate tax expense - "cash basis" ($M)	**1,627**	1,240	1,812	31	(10)
Effective tax rate - "cash basis" (%)	**29. 5**	29. 7	29. 4	(20)bpts	10 bpts

	Half Year Ended [1]				
Income Tax	**31 Dec 20 $M**	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Retail Banking Services	**932**	797	966	17	(4)
Business Banking	**571**	464	600	23	(5)
Institutional Banking and Markets	**152**	97	172	57	(12)
New Zealand	**212**	111	204	91	4
International Financial Services	**19**	15	14	27	36
Corporate Centre	**(259)**	(244)	(144)	6	80
Total income tax expense - "cash basis"	**1,627**	1,240	1,812	31	(10)
Non-cash tax expense	**(17)**	18	(50)	large	(66)
Total income tax expense - "statutory basis"	**1,610**	1,258	1,762	28	(9)

	Half Year Ended [1]				
Effective Tax Rate - Statutory Basis	**31 Dec 20 %**	30 Jun 20 %	31 Dec 19 %	Dec 20 vs Jun 20	Dec 20 vs Dec 19
Retail Banking Services	**29. 7**	29. 8	28. 0	(10)bpts	170 bpts
Business Banking	**30. 0**	30. 1	30. 1	(10)bpts	(10)bpts
Institutional Banking and Markets	**26. 4**	36. 6	27. 0	large	(60)bpts
New Zealand	**28. 0**	28. 3	27. 7	(30)bpts	30 bpts
International Financial Services	**12. 8**	18. 8	12. 3	large	50 bpts
Total corporate - "statutory basis"	**29. 9**	29. 5	28. 4	40 bpts	150 bpts

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

Half Year Ended December 2020 versus December 2019

Corporate tax expense ("statutory basis") for the half year ended 31 December 2020 was $1,610 million, a decrease of $152 million or 9% on the prior comparative period, reflecting a 29.9% effective tax rate. The 150 basis points increase in the effective tax rate ("statutory basis") from 28.4% to 29.9% was primarily due to the tax loss on disposal in the prior comparative period.

The rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by offshore businesses in jurisdictions that have lower corporate tax rates.

Half Year Ended December 2020 versus June 2020

Corporate tax expense ("statutory basis") increased $352 million or 28% on the prior half. The 40 basis point increase in the effective tax rate from 29.5% to 29.9% was primarily due to foreign currency translation reserve movements in the current period.

The effective tax rate ("cash basis") decreased 20 basis points from 29.7% to 29.5% primarily due to an increase in profit earned by offshore businesses in jurisdictions that have lower corporate tax rates.

Group Assets and Liabilities

Total Group Assets and Liabilities	As at				
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Interest earning assets					
Home loans [1]	**559,318**	542,880	535,090	3	5
Consumer finance	**17,449**	18,217	21,167	(4)	(18)
Business and corporate loans	**215,340**	216,695	214,145	(1)	1
Loans, bills discounted and other receivables [2]	**792,107**	777,792	770,402	2	3
Non-lending interest earning assets [3]	**201,833**	178,806	159,391	13	27
Total interest earning assets	**993,940**	956,598	929,793	4	7
Other assets [2,3]	**62,177**	55,692	48,869	12	27
Assets held for sale [3]	**1,617**	1,770	1,206	(9)	34
Total assets	**1,057,734**	1,014,060	979,868	4	8
Interest bearing liabilities					
Transaction deposits [4]	**168,145**	145,316	128,294	16	31
Savings deposits [4]	**249,670**	236,339	201,930	6	24
Investment deposits	**167,916**	181,483	204,875	(7)	(18)
Other demand deposits	**66,844**	61,940	65,098	8	3
Total interest bearing deposits	**652,575**	625,078	600,197	4	9
Debt issues	**122,548**	142,503	153,327	(14)	(20)
Other interest bearing liabilities [3]	**69,109**	51,264	56,507	35	22
Total interest bearing liabilities	**844,232**	818,845	810,031	3	4
Non-interest bearing transaction deposits	**91,013**	74,335	60,871	22	50
Other non-interest bearing liabilities [3]	**46,831**	48,273	37,251	(3)	26
Liabilities held for sale [3]	**655**	594	562	10	17
Total liabilities	**982,731**	942,047	908,715	4	8

1 Home loans are presented gross of $57,479 million of mortgage offset balances (30 June 2020: $50,597 million; 31 December 2019: $49,006 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.

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

3 On 13 May 2020, CBA announced that it has entered into an agreement to sell a 55% interest in Colonial First State (CFS) to KKR. On 28 April 2020, CBA announced that it has entered into an agreement to sell AUSIEX to Nomura Research Institute. On 16 December 2020, CBA announced that it has entered into an agreement to merge Aussie Home Loans (AHL) with Lendi. Refer to Note 7.3 to the Financial Statements included in this Document for further information. As at 31 December 2020, $323 million of non-lending interest earning assets (30 June 2020: $290 million) and $1,292 million of other assets (30 June 2020: $1,074 million) have been reclassified to assets held for sale, and $630 million of other non-interest bearing liabilities (30 June 2020: $591 million) and $25 million of other interest bearing liabilities (30 June 2020: $3 million) have been reclassified to liabilities held for sale in relation to these businesses.

4 Transaction and savings deposits includes $57,479 million of mortgage offset balances (30 June 2020: $50,597 million; 31 December 2019: $49,006 million).

Half Year Ended December 2020 versus December 2019

Total assets were $1,058 billion, an increase of $78 billion or 8% on the prior comparative period, driven by an increase in home loans, non-lending interest earning assets, business and corporate loans, and other assets, partly offset by lower consumer finance balances.

Total liabilities were $983 billion, an increase of $74 billion or 8% on the prior comparative period, driven by an increase in transaction deposits (interest bearing and non-interest bearing), savings deposits, other interest bearing liabilities and other non-interest bearing liabilities, partly offset by a decrease in investment deposits and debt issues.

The Bank continued to fund a significant portion of lending growth from customer deposits. Customer deposits represented 75% of total funding (31 December 2019: 71%).

Home loans

Home loan balances increased $24 billion to $559 billion, reflecting a 5% increase on the prior comparative period. The increase was driven by Retail Banking Services and New Zealand, while Business Banking home loan growth was flat. Domestic home loan growth of 5% was above system[1] growth of 4%, reflecting strong new business application volumes and a continued focus on credit decisioning turn-around times.

Home loans in Australia amount to $498 billion (31 December 2019: $477 billion) of which 69% were owner occupied, 29% were investment home loans and 2% were lines of credit (31 December 2019: 67% were owner occupied, 31% were investment home loans and 2% were lines of credit).

1 System Source RBA/APRA/RBNZ.

Group Assets and Liabilities (continued)

Consumer finance

Consumer finance balances decreased $4 billion to $17 billion, an 18% decrease on the prior comparative period, broadly in line with system[1]. The decrease was driven by lower consumer demand for unsecured lending, lower spend due to COVID-19, and increased customer repayments following fiscal and regulatory income support measures.

Business and corporate loans

Business and corporate loans increased $1 billion to $215 billion, an increase of 1% on the prior comparative period. This was driven by 7% growth in Business Banking (above system[1] growth) primarily across the Property Investment, Agriculture and Health industries, supporting Australian businesses with over 12,100 loans funded under the Government's SME Guarantee Scheme. New Zealand business lending increased 3% and New Zealand rural lending was flat (excluding the impact of FX). This was partly offset by a 6% decline in institutional lending balances due to a continued focus on risk adjusted returns in a highly liquid capital market, and a decrease in pooled facilities.

Domestic business lending (excluding institutional lending) increased 6%, above system[1].

Non-lending interest earning assets

Non-lending interest earning assets increased $42 billion to $202 billion, a 27% increase on the prior comparative period. This was mainly driven by an increase in liquid asset balances due to strong customer deposit growth, increased Government bonds held, and an increase in sale and repurchase agreements.

Other assets

Other assets, including derivative assets, property, plant and equipment and intangibles, increased $13 billion to $62 billion, a 27% increase on the prior comparative period. The increase was driven by higher precious metals inventory balances in Institutional Banking and Markets, and an increase in derivative assets driven by foreign currency and interest rate volatility.

Total interest bearing deposits

Total interest bearing deposits increased $52 billion to $653 billion, a 9% increase on the prior comparative period. This was primarily driven by growth in transaction and savings deposits, partly offset by lower investment deposits. The growth in transaction and savings deposits was driven by increased liquidity in the economy and increased demand for at-call deposits in the low-rate environment. The reduction in investment deposits reflects customers switching to at-call deposits.

Domestic household deposits grew at 15%, above system[1] growth of 13%.

Debt issues

Debt issues decreased $31 billion to $123 billion, a 20% decrease on the prior comparative period, reflecting lower wholesale funding requirements due to growth in customer deposit funding.

Deposits satisfied the majority of the Bank's funding requirements, however strong access was maintained to both domestic and international wholesale debt markets.

Refer to pages 63 - 65 for further information on debt programs and issuance for the half year ended 31 December 2020.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, increased $13 billion to $69 billion, a 22% increase on the prior comparative period. The increase was mainly driven by the drawdown of the RBA Term Funding Facility, with $19.1 billion drawn down by 31 December 2020, and the issuance of additional Tier 2 AUD capital instruments, partly offset by lower central bank deposits reflecting reduced demand for short-term funding.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $30 billion to $91 billion, a 50% increase on the prior comparative period. The increase was driven by increased liquidity in the economy, continued growth in existing customer balances and increased demand for at-call deposits in the low-rate environment.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities, increased $10 billion to $47 billion, a 26% increase on the prior comparative period. The increase was driven by higher derivative liabilities primarily due to foreign currency and interest rate volatility.

Half Year Ended December 2020 versus June 2020

Total assets increased $44 billion or 4% on the prior half, driven by increased home loans, non-lending interest earning assets, and other assets, partly offset by lower business and corporate loans, and consumer finance balances.

Total liabilities increased $41 billion or 4% on the prior half, reflecting an increase in transaction deposits (interest bearing and non-interest bearing), savings deposits, other interest bearing liabilities, and other demand deposits, partly offset by a decrease in investment deposits, debt issues, and other non-interest bearing liabilities.

Customer deposits represented 75% of total funding (30 June 2020: 74%).

Home loans

Home loan balances increased $16 billion or 3% on the prior half, driven by an increase in Retail Banking Services and New Zealand balances, while Business Banking home loan growth was flat. Domestic home loan growth of 3% was above system[1] growth of 2%, reflecting strong new business application volumes and a continued focus on credit decisioning turn-around times.

Home loans in Australia amount to $498 billion (30 June 2020: $485 billion) of which 69% were owner occupied, 29% were investment home loans and 2% were lines of credit (30 June 2020: 68% were owner occupied, 30% were investment home loans and 2% were lines of credit).

Consumer finance

Consumer finance balances decreased $1 billion or 4%, broadly in line with system[1]. The decrease was driven by lower consumer demand for unsecured lending and increased customer repayments following fiscal and regulatory income support measures.

1 System Source RBA/APRA/RBNZ.

Group Assets and Liabilities (continued)

Business and corporate loans

Business and corporate loans decreased $1 billion or 1% on the prior half, reflecting a 7% decline in institutional lending balances due to continued focus on risk adjusted returns in a highly liquid capital market, and a decrease in pooled facilities, partly offset by 4% growth in Business Banking (above system[1] growth) primarily across the Property Investment, Health and Transport industries, supporting Australian businesses with an additional 4,800 loans funded under the Government's SME Guarantee Scheme compared to the prior half. New Zealand business lending increased 3% and New Zealand rural lending increased 1% (excluding the impact of FX).

Domestic business lending (excluding institutional lending) increased 4%, above system[1] growth.

Non-lending interest earning assets

Non-lending interest earning assets increased $23 billion or 13% on the prior half, mainly driven by higher liquid asset balances due to strong customer deposit growth, an increase in sale and repurchase agreements and higher commodities financing balances in Institutional Banking and Markets.

Other assets

Other assets, including derivative assets, property, plant and equipment and intangibles, increased $6 billion or 12% on the prior half, driven by higher derivative assets primarily due to foreign currency and interest rate volatility, and increased precious metals inventory balances in Institutional Banking and Markets.

Total interest bearing deposits

Total interest bearing deposits increased $27 billion or 4% on the prior half, primarily driven by growth in transaction, savings and other demand deposit balances, partly offset by lower investment deposits. The growth in transaction and savings deposits was driven by increased liquidity in the economy and increased demand for at-call deposits in the low-rate environment. The reduction in investment deposits reflects customers switching to at-call deposits.

Domestic household deposits grew at 8%, in line with system[1] growth.

Debt issues

Debt issues decreased $20 billion or 14% on the prior half, reflecting lower wholesale funding requirements due to growth in customer deposit funding.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, increased $18 billion or 35% on the prior half primarily driven by the drawdown of the RBA Term Funding Facility, with an additional $17.6 billion drawn down during the current half compared to $1.5 billion drawn down in the prior half, and the issuance of additional Tier 2 AUD capital instruments, partly offset by lower central bank deposits reflecting reduced demand for short-term funding.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $17 billion or 22% on the prior half. The increase was driven by increased liquidity in the economy, continued growth in existing customer balances and increased demand for at-call deposits in the low-rate environment.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities, decreased $1 billion or 3% on the prior half. The decrease was driven by a reduction in unsettled trades, partly offset by an increase in derivative liabilities due to foreign currency and interest rate volatility.

1 System Source RBA/APRA/RBNZ.

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Contents

4. Group Operations & Business Settings

Loan Impairment Provisions and Credit Quality 49

Capital 54

Financial System Regulation in the United States 58

Leverage Ratio 60

Dividends 60

Liquidity 61

Liquidity and Capital Resources 62

Funding 64

Net Stable Funding Ratio (NSFR) 66

Corporate Governance 67

Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Provisions for impairment losses					
Collective provisions	**5,943**	5,396	4,067	10	46
Individually assessed provisions	**872**	967	959	(10)	(9)
Total provisions for impairment losses	**6,815**	6,363	5,026	7	36
Less: Provision for Off Balance Sheet exposures	**(137)**	(119)	(87)	15	57
Total provisions for loan impairment	**6,678**	6,244	4,939	7	35

Half Year Ended December 2020 versus December 2019

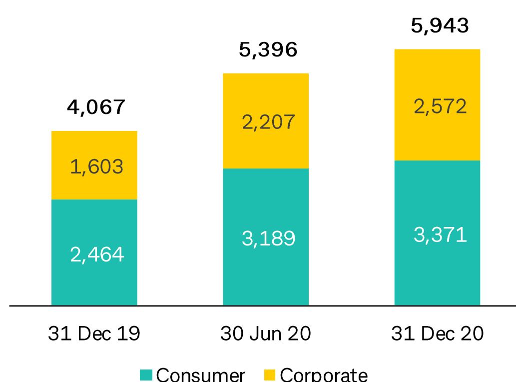
Total provisions for impairment losses as at 31 December 2020 were $6,815 million, an increase of $1,789 million or 36% on the prior comparative period. The increase was driven by:

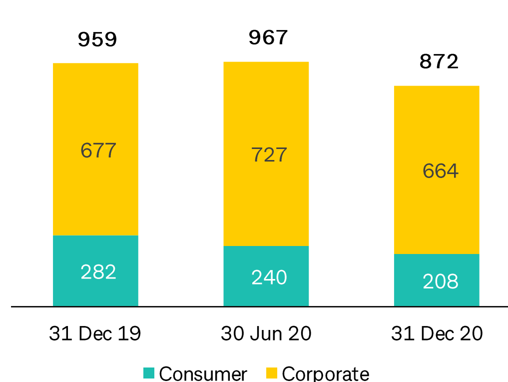
- Corporate collective provisions increased by $969 million or 60% to $2,572 million. This was driven by increased forward looking adjustments reflecting uncertainty in the economic outlook and emerging industry sector risks, in particular Aviation, Commercial Property, as well as other sectors reliant on discretionary spending, mainly due to COVID-19; and
- Consumer collective provisions increased by $907 million or 37% to $3,371 million. This was driven by increased forward looking adjustments reflecting uncertainty in the economic outlook and emerging risks as a result of COVID-19, which offset the benefit of lower consumer finance balances; partly offset by
- Consumer individually assessed provisions decreased by $74 million or 26% to $208 million, mainly driven by decreases in the 90+ days arrears balances in the Australian home loan portfolio as a result of repayment deferrals, government support initiatives and the impact of lower interest rates; and
- Corporate individually assessed provisions decreased by $13 million or 2% to $664 million. This was mainly driven by write-offs and write-backs across various industry sectors, partly offset by the impairment of a small number of large exposures.

Half Year Ended December 2020 versus June 2020

Total provisions for impairment losses increased $452 million or 7% on the prior half. The increase was driven by:

- Corporate collective provisions increased by $365 million or 17%. This was mainly driven by increased forward looking adjustments reflecting emerging industry sector risks, in particular Aviation, Commercial Property, as well as other sectors reliant on discretionary spending, mainly due to COVID-19; and
- Consumer collective provisions increased by $182 million or 6%. This was driven by increased forward looking adjustments, reflecting emerging risks as a result of COVID-19, which offset the benefit of improvements in the economic outlook, lower consumer finance balances and reduced arrears; partly offset by
- Corporate individually assessed provisions decreased by $63 million or 9%, mainly driven by write-offs and write-backs across various industry sectors, partly offset by the impairment of a small number of large exposures; and
- Consumer individually assessed provisions decreased by $32 million or 13%, mainly driven by decreases in the 90+ days arrears balances in the Australian home loan portfolio as a result of repayment deferrals, government support initiatives and the impact of lower interest rates.





Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

	Half Year Ended [1]				
Credit Quality Metrics	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Gross loans and acceptances (GLAA) ($M)	**792,959**	778,675	771,383	2	3
Risk weighted assets (RWA) ($M) - Basel III	**453,616**	454,948	449,154	–	1
Credit RWA ($M) - Basel III	**376,900**	374,194	375,217	1	–
Gross impaired assets ($M)	**3,100**	3,548	3,383	(13)	(8)
Net impaired assets ($M)	**1,920**	2,293	2,161	(16)	(11)
Provision Ratios					
Collective provision as a % of credit RWA - Basel III	**1. 58**	1. 44	1. 08	14 bpts	50 bpts
Total provisions as a % of credit RWA - Basel III	**1. 81**	1. 70	1. 34	11 bpts	47 bpts
Total provisions for impaired assets as a % of gross impaired assets	**38. 07**	35. 37	36. 12	270 bpts	195 bpts
Total provisions for impaired assets as a % of gross impaired assets (corporate)	**48. 42**	46. 62	54. 90	180 bpts	large
Total provisions for impaired assets as a % of gross impaired assets (consumer)	**29. 09**	26. 18	24. 61	291 bpts	448 bpts
Total provisions for impairment losses as a % of GLAAs	**0. 86**	0. 82	0. 65	4 bpts	21 bpts
Asset Quality Ratios					
Gross impaired assets as a % of GLAAs	**0. 39**	0. 46	0. 44	(7)bpts	(5)bpts
Loans 90+ days past due but not impaired as a % of GLAAs	**0. 39**	0. 43	0. 41	(4)bpts	(2)bpts
Loan impairment expense annualised as a % of average GLAAs	**0. 22**	0. 48	0. 17	(26)bpts	5 bpts
Net write-offs annualised as a % of GLAAs	**0. 11**	0. 14	0. 12	(3)bpts	(1)bpt
Corporate total committed exposures rated investment grade (%) [2]	**65. 90**	66. 30	65. 30	(40)bpts	60 bpts
Australian Home Loan Portfolio					
Portfolio dynamic LVR (%) [3]	**51. 45**	52. 69	53. 42	(124)bpts	(197)bpts
Customers in advance (%) [4]	**79. 82**	80. 12	81. 70	(30)bpts	(188)bpts

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
2 Investment grades based on CBA grade in S&P equivalent.
3 Loan to value ratio (LVR) defined as current balance as a percentage of the current valuation on Australian home loan portfolio.
4 Any amount ahead of monthly minimum repayment (including offset facilities).

Provision Ratios and Impaired Assets

Total provisions as a proportion of credit RWA increased by 11 basis points on the prior half to 1.81%. This was driven by higher collective provisions due to increased forward looking adjustments reflecting uncertainty in the economic outlook and emerging risks, mainly due to COVID-19.

Gross impaired assets were $3,100 million, a decrease of $448 million or 13% on the prior half. Gross impaired assets as a proportion of GLAAs were 0.39%, a decrease of 7 basis points on the prior half, reflecting reduced new impairments due to repayment deferrals, as well as write-offs, debt sales, and settlement of a small number of larger corporate exposures. Provision coverage for the impaired asset portfolio was 38.07%, an increase of 270 basis points on the prior half, mainly driven by higher provision coverage for impaired home loans.

COVID-19 Support

From March 2020, the Bank has offered a number of support measures to retail and business customers impacted by the COVID-19 pandemic, including repayment deferrals of up to 6 months in duration. In July 2020, the Bank announced that customers may be able to extend their existing repayment deferrals by up to 4 months, on a case by case basis, depending on their individual circumstances. By December 2020, the majority of customers on repayment deferral arrangements have returned to normal repayments upon expiration of deferrals. Subject to standard eligibility criteria, customers have been offered a range of options such as switching to interest only payments for a period following the end of the repayment deferral. In limited cases, further support including interest rate reductions and hardship assistance, has been provided to customers who do not qualify for a further repayment deferral. Refer to pages 126-127 for further details on loan modifications relating to COVID-19.

The Bank has also participated in the Australian Government's Small and Medium Enterprises (SME) Guarantee Scheme. Under the Scheme, the Government guarantees 50% of new loans issued to SMEs.

Loan Impairment Provisions and Credit Quality (continued)

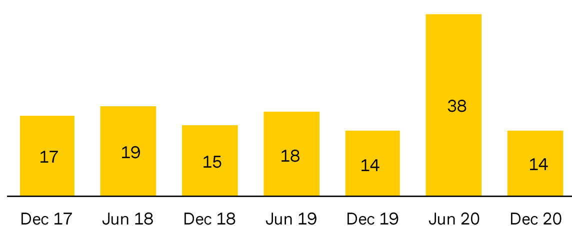
Retail Portfolio Asset Quality

Consumer loan impairment expense (LIE) as a percentage of average GLAAs was 14 basis points, a decrease of 24 basis points on the prior half, mainly reflecting higher collective provision charges in the prior half, primarily due to COVID-19.

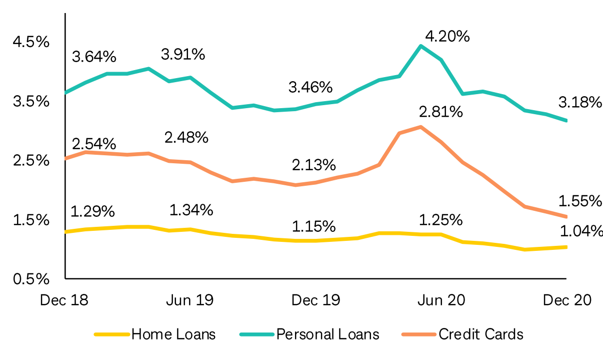
Home loan 90+ days arrears were 0.57%, a decrease of 6 basis points on the prior half, driven by a combination of repayment deferrals, government support initiatives and the impact of lower interest rates. Credit cards 90+ days arrears were 0.66%, a decrease of 57 basis points on the prior half, driven by an improvement in customer origination quality and government support initiatives. Personal Loans 90+ days arrears were 1.48%, a decrease of 3 basis points on the prior half, driven by government support initiatives, partly offset by lower balances including the impact from reduced new lending.

The home loan dynamic LVR was 51.45%, a decrease of 124 basis points on the prior half. The home lending book remains well secured and the majority of home lending customers remain in advance of scheduled repayments.

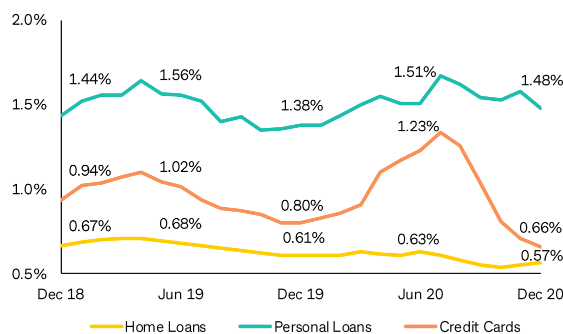
Consumer LIE
Half Year Loan impairment expense annualised as percentage of average GLAAs (bpts)



30+ Days Arrears Ratios (%) [1]



90+ Days Arrears Ratios (%) [1]



1 Includes retail portfolios of Retail Banking Services, Business Banking and New Zealand.

Group Operations and Business Settings (continued)

Loan Impairment Provisions and Credit Quality (continued)

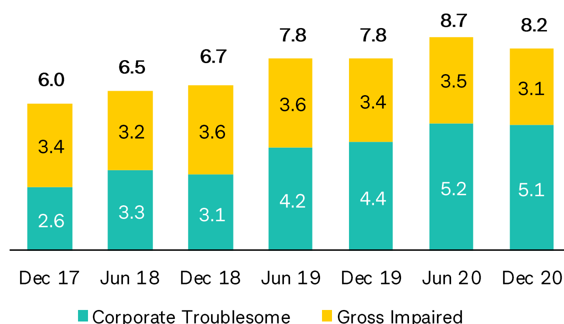
Corporate Portfolio Asset Quality

Corporate troublesome exposures were $5.1 billion, a decrease of $0.1 billion or 2% on the prior half, mainly driven by the movement of several large exposures from the troublesome portfolio to the impaired portfolio, partly offset by a small number of downgrades in the troublesome portfolio across a range of sectors including the Entertainment, Leisure & Tourism, Commercial Property and Aviation industries.

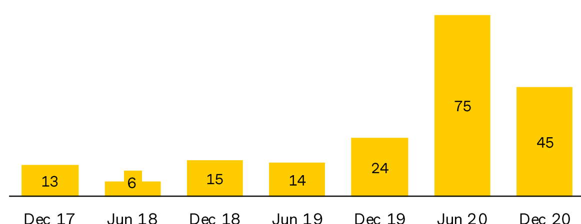
Investment grade rated exposures decreased by 40 basis points on the prior half to 65.9% of overall portfolio risk graded counterparties, reflecting the impact of downgrades and changes in business mix over the half.

Corporate LIE as a percentage of GLAAs was 45 basis points, a decrease of 30 basis points on the prior half, reflecting higher collective provision charges in the prior half mainly due to COVID-19.

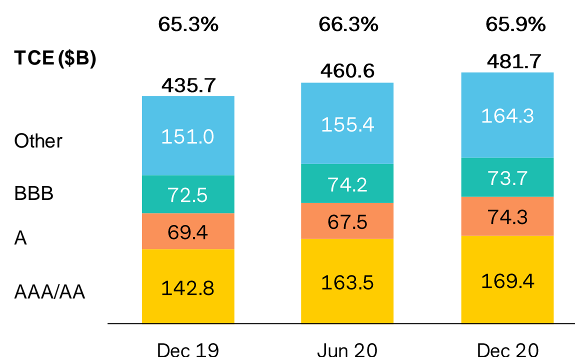
Troublesome and Impaired Assets ($B)



Corporate LIE
Half Year Loan impairment expense annualised as percentage of average GLAA (bpts)



Corporate Portfolio Quality
% of book rated investment grade [1,2]



1 CBA grades in S&P equivalents.
2 Comparative information has been restated to conform to the presentation in the current period.

Group Operations and Business Settings (continued)

Loan Impairment Provisions and Credit Quality (continued)

Industry Exposure and Asset Quality

The distribution of the Bank's credit exposures by sector remained relatively consistent during the half. The largest movement was an increase in the Government, Administration & Defence sector of 100 basis points, from 11.8% to 12.8% of the Bank's total committed exposure, driven by an increase in Government bond holdings. This was partly offset by a reduction in the Finance & Insurance sector of 80 basis points, from 7.6% to 6.8% of the Bank's total committed exposures, as the Bank re-weighted its liquidity portfolio towards Government bonds as part of ongoing liquidity management activities.

Movements in troublesome and impaired assets (TIA) were mixed across sectors, as total TIA decreased by $515 million compared to the prior half to $8,195 million.

TIA as a percentage of total committed exposures (TCE) was 0.70%, a decrease of 8 basis points from the prior half reflecting:

- Construction (down 166 basis points) driven by the upgrade of a number of large single name exposures;
- Retail Trade (down 150 basis points) driven by the upgrade of a number of large single name exposures;
- Manufacturing (down 127 basis points) driven by a write-off and sale of a number of large single name exposures;
- Transport & Storage (down 56 basis points) driven by a debt sale, partly offset by downgrades in the aviation and travel related industries; partly offset by
- Entertainment, Leisure & Tourism (up 295 basis points) driven by the downgrade of a number of large single name exposures;
- Business Services (up 129 basis points) driven by the downgrade of a large single name exposure;
- Electricity, Gas & Water (up 60 basis points) driven by the downgrade of a large single name exposure;
- Education (up 18 basis points) driven by the downgrade of a number of smaller exposures; and
- Commercial Property (up 15 basis points) driven by the downgrade of a number of large single name exposures.

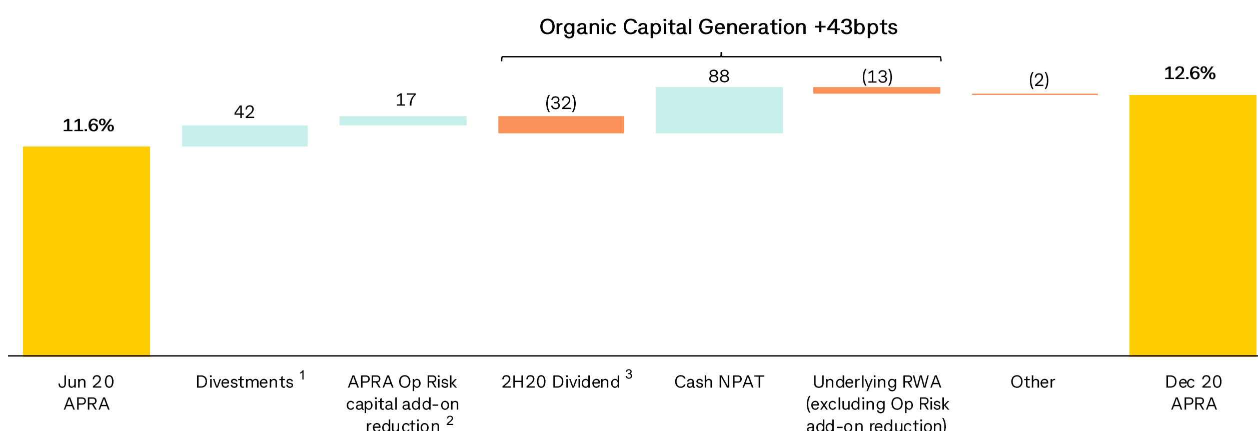
	Total Committed Exposures (TCE) [1]		Troublesome and Impaired Assets (TIA) [1]		TIA % of TCE [1]	
	31 Dec 20	30 Jun 20	**31 Dec 20**	30 Jun 20	**31 Dec 20**	30 Jun 20
Sector	**%**	%	**$M**	$M	**%**	%
Consumer	**58. 7**	58. 8	**1,662**	1,929	**0. 24**	0. 29
Government, Admin. & Defence	**12. 8**	11. 8	**–**	–	**–**	–
Finance & Insurance	**6. 8**	7. 6	**21**	48	**0. 03**	0. 06
Commercial Property	**6. 6**	6. 6	**904**	752	**1. 17**	1. 02
Transport & Storage	**2. 3**	2. 5	**755**	951	**2. 82**	3. 38
Agriculture & Forestry	**2. 1**	2. 1	**861**	948	**3. 48**	4. 12
Manufacturing	**1. 4**	1. 4	**545**	724	**3. 41**	4. 68
Entertainment, Leisure & Tourism	**1. 1**	1. 2	**1,071**	686	**8. 27**	5. 32
Electricity, Water & Gas	**1. 1**	1. 1	**170**	89	**1. 35**	0. 75
Retail Trade	**1. 0**	1. 0	**424**	572	**3. 58**	5. 08
Business Services	**1. 0**	1. 0	**390**	221	**3. 26**	1. 97
Health & Community Services	**0. 9**	0. 8	**116**	103	**1. 07**	1. 09
Wholesale Trade	**0. 9**	0. 8	**262**	269	**2. 55**	2. 94
Mining, Oil & Gas	**0. 8**	1. 0	**126**	204	**1. 38**	1. 87
Construction	**0. 8**	0. 9	**342**	506	**3. 46**	5. 12
Media & Communications	**0. 5**	0. 5	**175**	186	**3. 30**	3. 37
Personal & Other Services	**0. 3**	0. 3	**105**	128	**3. 22**	4. 43
Education	**0. 3**	0. 2	**40**	29	**1. 28**	1. 10
Other	**0. 6**	0. 4	**226**	365	**3. 44**	5. 77
Total	**100. 0**	100. 0	**8,195**	8,710	**0. 70**	0. 78

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

Capital

Summary Group Capital Adequacy Ratios	As at				
	31 Dec 20 %	30 Jun 20 %	31 Dec 19 %	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Common Equity Tier 1	**12. 6**	11. 6	11. 7	100 bpts	90 bpts
Tier 1	**15. 0**	13. 9	14. 1	110 bpts	90 bpts
Tier 2	**3. 9**	3. 6	3. 3	30 bpts	60 bpts
Total Capital (APRA)	**18. 9**	17. 5	17. 4	140 bpts	150 bpts
Common Equity Tier 1 (Internationally Comparable) [1]	**18. 7**	17. 4	17. 5	130 bpts	120 bpts

1 Aligns with the 13 July 2015 APRA study titled "International capital comparison study".



1 Relates to additional receipt of funds as part of the divestment of CommInsure Life, the completion of the divestment of BoCommLife, and benefit from the revised calculation of non-cash gains and losses on disposal of previously announced divestments.

2 The benefit from a 50% reduction in APRA's operational risk regulatory capital add-on from $1 billion to $500 million (reduction of $6.25 billion RWA). Refer to Note 7.2 for further information.

3 The 2020 final dividend included the issuance of $264 million of shares (CET1 impact of 6 basis points) in respect of the Dividend Reinvestment Plan.

Capital Position

The Bank's CET1 ratio (APRA) was 12.6% as at 31 December 2020, an increase of 100 basis points from 30 June 2020 and an increase of 90 basis points from 31 December 2019. The CET1 ratio was above APRA's 'unquestionably strong' benchmark of 10.5% and consistently well in excess of regulatory minimum capital adequacy requirements at all times throughout the half year ended 31 December 2020.

After allowing for the impact of the 2020 final dividend, net of shares issued under the Dividend Reinvestment Plan (DRP) (-32 basis points), the CET1 ratio increased by 132 basis points in the half year ended 31 December 2020. This was driven by capital generated from earnings (+88 basis points), benefit from divestments (+42 basis points) and a 50% reduction in APRA's Operational Risk capital add-on (+17 basis points). This was partially offset by higher underlying RWA (-13 basis points) and other items (-2 basis points).

Further details on the movements in RWA are provided on page 55.

Internationally Comparable Capital Position

The Bank's CET1 ratio as measured on an internationally comparable basis (as set forth in the 13 July 2015 APRA study titled "International capital comparison study") was 18.7% as at 31 December 2020.

Capital Initiatives

The following significant capital initiatives were undertaken during the half year ended 31 December 2020:

Common Equity Tier 1 Capital

- The DRP in respect of the 2020 final dividend was satisfied by the issuance of $264 million of ordinary shares, representing a participation rate of 15.2%.

Tier 2 Capital

- In August 2020, the Bank issued an AUD205 million subordinated note and an AUD200 million subordinated note that are both Basel III compliant Tier 2 capital;
- In September 2020, the Bank issued an AUD1,400 million subordinated note that is Basel III compliant Tier 2 capital; and
- In December 2020, the Bank issued an AUD270 million subordinated note that is Basel III compliant Tier 2 capital.

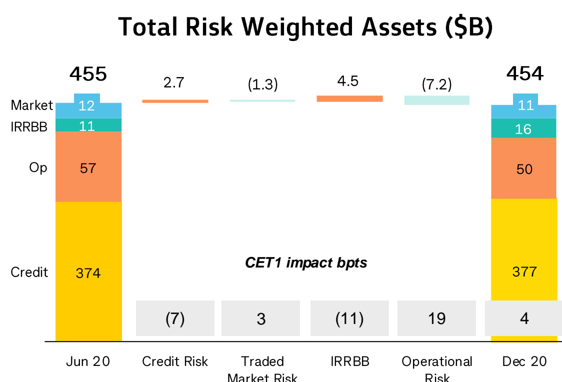
Capital (continued)

Risk Weighted Assets (RWA)

Total Group Risk Weighted Assets

Total RWA decreased by $1.3 billion on the prior half to $453.6 billion driven by decreases in operational risk RWA and traded market risk RWA, partly offset by higher credit risk RWA and IRRBB RWA.

Total Risk Weighted Assets ($B)

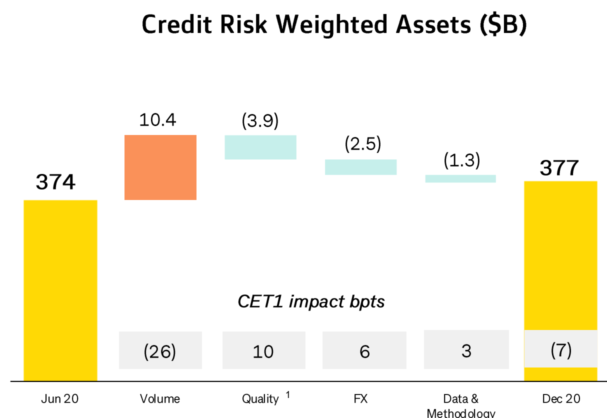


Credit Risk Weighted Assets

Credit risk RWA increased by $2.7 billion on the prior half to $376.9 billion, primarily driven by:

- Volume growth across commercial portfolios, residential mortgages, and bank and sovereign exposures, partly offset by a reduction in unsecured retail portfolios and in exposures subject to standardised treatment (increase of $10.4 billion); partly offset by
- Credit quality improvement (decrease of $3.9 billion), primarily across retail portfolios, driven by:
  - improved loan serviceability;
  - growth in mortgage offset balances; and
  - higher provision coverage on defaulted assets, reducing RWA.
- Foreign currency movements due to appreciation of the AUD against major currencies (decrease of $2.5 billion); and
- Data and methodology, credit risk estimates and other changes (decrease of $1.3 billion).

Credit Risk Weighted Assets ($B)



1 Credit quality includes portfolio mix.

Traded Market Risk Weighted Assets

Traded market risk RWA decreased by $1.3 billion or 10% on the prior half. This was mainly due to the implementation of an enhanced model measurement approach for certain interest rate option exposures.

Interest Rate Risk Weighted Assets

IRRBB RWA increased by $4.5 billion or 40% on the prior half. This was due to changes in interest rate risk management positions and increased size of the replicating portfolio due to growth in deposits.

Operational Risk Weighted Assets

Operational Risk RWA decreased by $7.2 billion or 13% on the prior half. The decrease is mainly due to a 50% reduction in APRA's Operational Risk add-on (following the Prudential Inquiry findings in 2018) from $12.5 billion to $6.25 billion.

The Group regularly reviews and updates its operational risk RWA to reflect material changes in its operational risk profile in accordance with the Operational Risk Management Framework and governance processes.

Basel Regulatory Framework

Background

APRA has implemented a set of capital, liquidity and funding reforms based on the Basel Committee on Banking Supervision (BCBS) "Basel III" framework. The objectives of the reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk. The APRA prudential standards require a minimum CET1 ratio of 4.5% effective from 1 January 2013. An additional CET1 capital conservation buffer of 3.5%, inclusive of a Domestic Systemically Important Bank (D-SIB) requirement of 1% and a countercyclical capital buffer (CCyB) [1] of 0% (effective from 1 January 2016), brings the minimum CET1 ratio requirement to 8%.

Unquestionably Strong Capital Ratios

In July 2017, APRA released an information paper establishing the quantum of additional capital required for the Australian banking sector to have capital ratios that are unquestionably strong.

APRA's expectation is that the Australian major banks will operate for the majority of the year with a CET1 ratio of 10.5% or more. As at 31 December 2020, the Group's CET1 ratio was 12.6%, and was above the 10.5% benchmark for the entire 2020 calendar year.

Subsequently, APRA issued proposed revisions to the overall design of the capital framework. Further detail on the proposed APRA reforms is provided on page 56.

1 In December 2020, APRA announced that the CCyB for Australian exposures will remain at 0%. The Bank has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed.

Capital (continued)

APRA's COVID-19 capital announcements

On 19 March 2020, APRA announced temporary changes to its expectations regarding bank capital ratios and advised that, provided banks are able to meet their minimum capital requirements, the capital buffers built up over recent years to meet the 10.5% unquestionably strong benchmark CET1 capital ratio can be utilised to facilitate ongoing lending to the economy during the period of disruption caused by COVID-19.

On 23 March 2020, APRA also announced its regulatory approach to COVID-19 customer support measures being offered by banks in the current environment. Additional guidance was provided in July 2020 and September 2020. This included capital relief in the form of ADIs being able to 'stop the clock' on arrears and relief for restructured loans.

The Group has introduced a number of support measures for customers impacted by COVID-19 which include loan repayment deferral arrangements and the origination of loans under the Government's Small and Medium Enterprises (SME) Guarantee Scheme.

On 15 December 2020, APRA announced that its guidance issued in July 2020 requiring banks to preserve capital through retaining at least half of their earnings during the period of disruption caused by COVID-19 will no longer apply from the start of calendar year 2021. Nevertheless, in determining the appropriate level of dividends, APRA expects banks to moderate dividend payout ratios to ensure they are sustainable, taking into account the outlook for profitability, capital and the broader environment.

Pillar 3 Disclosures

Details on the market disclosures required under Pillar 3, per prudential standard APS 330 "Public Disclosure", are provided in the Capital Disclosure Reports which are available on the Group's U.S. Investor Website.

Regulatory Reforms

APRA

In February 2018, APRA commenced consultation on a number of proposed changes to the ADI capital framework, commonly known as "Basel III". Following an initial round of consultation and industry responses, in December 2020, APRA released a further consultation package titled "Discussion paper – A more flexible and resilient capital framework for ADIs". The objectives of the proposed changes are to increase the risk sensitivity within the capital framework, to enhance the ability to respond flexibly to future stress events, and to improve the comparability of the Australian framework with international standards. The package sets out APRA's key proposals based on feedback received in earlier consultations. APRA's proposals include:

- Higher regulatory capital buffers, with the CCyB set at 100 basis points for all ADIs and the capital conservation buffer increasing from 250 basis points to 400 basis points for Internal Ratings-based (IRB) ADIs such as CBA;
- Implementing more risk sensitive risk weights, particularly for residential mortgage lending, by targeting higher risk segments, such as interest only and investor mortgages;
- For non-retail credit portfolios, closer alignment of risk estimates relative to overseas peers and allowing internal models to be used for commercial property exposures. The expected decrease in RWAs due to this proposal will be tempered through higher scaling factors;
- RWA for New Zealand subsidiaries to be determined under RBNZ rules at the consolidated group level; and
- Implementing a 72.5% output floor to limit the capital benefit for IRB ADIs relative to standardised ADIs.

These proposals will result in changes to the calculation of RWA and will therefore, result in changes to the presentation of bank capital ratios. APRA expects that capital ratios will increase, as the amount of RWA will likely fall. APRA further reiterated that it is targeting a capital outcome in dollar terms that remains consistent with the "unquestionably strong" capital benchmark.

APRA intends to implement the Basel III changes on 1 January 2023.

In January 2019, the Basel Committee on Banking Supervision released "Minimum capital requirements for market risk" which finalised changes to the identification and measurement of market risk under both the standardised approach and the internal model approach. APRA is yet to commence consultation on APS 116 "Capital Adequacy: Market Risk" and implementation is not expected until 2024.

In October 2019, APRA released a consultation paper on APS 111 "Capital Adequacy: Measurement of Capital". The consultation paper outlines APRA's proposal to change its existing approach on equity exposures to banking and insurance subsidiaries of ADIs. APRA has proposed that each individual equity exposure will be risk-weighted at 250% up to 10% of the ADI's Level 1 CET1 capital, with any excess above that threshold to be deducted from Level 1 CET1 capital. In November 2020, APRA advised that the 10% threshold will apply to new or additional investments into banking and insurance subsidiaries until APS 111 is finalised and implemented.

On 9 July 2019, APRA confirmed that the Australian loss-absorbing capacity regime will be established under the existing capital framework. For Domestic Systemically Important Banks (D-SIB), including CBA, APRA will require an additional Total Capital requirement of 3% of RWA based on the existing capital framework, effective 1 January 2024. APRA is evaluating whether any consequential adjustment to the required amount of loss absorbing capacity is necessary, taking into account proposed changes to the capital framework announced in December 2020 as outlined above.

In August 2019, APRA released the final APS 222 "Associations with Related Entities". The revised standard is intended to strengthen the ability of ADIs to monitor, limit and control risk arising from transactions and other associations with related entities. These new requirements will be in place from 1 January 2022.

Capital (continued)

Reserve Bank of New Zealand (RBNZ)

In December 2019, the RBNZ confirmed that the RWA of IRB banks, such as ASB Bank Limited, will increase to approximately 90% of that required under a standardised approach. In addition, for those banks deemed systemically important, including ASB, the Tier 1 capital requirement will increase to 16% of RWA, of which 13.5% must be in the form of CET1 capital. Tier 2 capital will remain in the framework, and can contribute up to 2% of the 18% minimum Total Capital ratio. Existing Additional Tier 1 and Tier 2 contingent instruments issued by New Zealand banks will no longer be eligible under RBNZ's new capital criteria and will be phased out.

The RBNZ announced that these reforms will commence from 1 July 2022 with a 6 year implementation period until 1 July 2028. Revisions to Additional Tier 1 and Tier 2 eligibility will commence on 1 July 2021.

On 2 April 2020, the RBNZ announced a freeze on the distribution of dividends by banks in New Zealand due to COVID-19. This restriction will remain in place until 31 March 2021, or later if required. Dividends from the Bank's New Zealand subsidiary, ASB, only affect the Group's Level 1 CET1 capital ratio. As at 31 December 2020, the Group's Level 1 CET1 capital ratio was 12.8%, well above APRA's unquestionably strong benchmark, and as such, the Group is well placed to absorb the suspension of dividends.

The RBNZ has provided concessions similar to those provided by APRA for loan deferrals granted in response to COVID-19.

Financial System Regulation in the United States

In October 2016, we elected to be treated as a Financial Holding Company ("FHC") by the Board of Governors of the Federal Reserve System in the United States ("FRB"). The FRB is the "umbrella" supervisor with jurisdiction over FHCs, including us. A FHC is allowed to engage, or acquire companies engaged, in the United States in activities that are determined by the FRB and the Secretary of the Treasury to be financial in nature or incidental thereto, and activities that are determined by the FRB to be complementary to financial activities.

Under the Bank Holding Company Act of 1956 ("BHC Act"), the activities of a FHC are subject to restrictions if it is determined that the FHC (in our case, at the Group level) ceases to be "well managed" or "well capitalized" or is the subject of an enforcement action requiring it to maintain a specific level of capital.

We are subject to U.S. federal laws and regulations, including the International Banking Act of 1978 ("IBA"). Under the IBA, all branches and agencies of foreign banks in the United States are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by U.S. bank holding companies. As a federally licensed branch regulated primarily by the Office of the Comptroller of the Currency in the United States (the "OCC"), the Group's New York branch can engage in activities permissible for national banks, with the exception that the Group's New York branch may not accept retail deposits. The New York branch does not accept retail deposits and thus is not subject to the supervision of the Federal Deposit Insurance Corporation ("FDIC").

Most U.S. branches and agencies of foreign banks, including the Group's New York branch, are subject to reserve requirements on deposits pursuant to regulations of the FRB. The Group's New York branch must maintain its accounts and records separate from those of the Group generally and must comply with such additional requirements as may be prescribed by the OCC. The IBA and the BHC Act also affect the Group's ability to engage in non-banking activities in the United States.

Under the IBA, a federal branch of a non-U.S. bank is subject to receivership by the OCC to the same extent as a national bank. The OCC may take possession of the business and property of a federal branch. The OCC has at its disposal a wide range of supervisory and enforcement tools for addressing violations of laws and regulations, and breaches of safety and soundness, which can be imposed upon federal branches. The OCC may remove federal branch management and assess civil money penalties. In certain circumstances, the OCC may also terminate a federal branch license at its own initiative or at the recommendation of the FRB.

The Group is subject to certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank"). Dodd-Frank regulates many aspects of the business of banking in the United States and internationally. At this time, a number of rules and regulations implementing Dodd-Frank are under review by U.S. regulators. This review may result in a modified compliance framework. The following summary discusses the key regulations that are expected to remain relevant to the Group.

The "Volcker Rule" adopted under Dodd-Frank, among other things, prohibits banks and their affiliates from engaging in certain "proprietary trading" (but allows certain activities such as underwriting, market making-related and risk-mitigating hedging activities) and limits the sponsorship of, and investment in, private equity funds and hedge funds, subject to certain important exceptions and exemptions.

Between August and October 2019, the agencies responsible for the Volcker Rule approved final rules (the "Final Rules") amending the Volcker Rule to provide clarification, simplification and tailoring to certain of their requirements relating to proprietary trading, investments in covered funds and compliance programs. The effective date for the Final Rules was January 1, 2020, with a compliance date of January 1, 2021. Banking entities such as CBA were required to continue to comply with the existing (2013) Volcker Rule until the effective date. Compliance with the Final Rules between the effective date and the compliance date is permitted but not required. On June 25, 2020, the agencies responsible for implementing the Volcker Rule approved a final rule principally focused on covered funds; the final rule became effective on October 1, 2020.

Other Dodd-Frank regulations impose minimum margin requirements on uncleared swaps, require the central execution and clearing of standardized over-the-counter ("OTC") derivatives on regulated trading platforms and clearing houses and provide for heightened supervision and regulation of swap dealers and major market participants. The regulations governing swap dealers include requirements regarding business conduct and disclosure, recordkeeping and reporting, capital, margin, risk management and other matters. We are a provisionally registered swap dealer under the U.S. Commodity Exchange Act and Commodity Futures Trading Commission ("CFTC") regulations, which requires us to incur additional compliance costs. In addition, other affiliated entities within the Group could become subject to registration, depending on the level of their swap dealing activities with counterparties that are U.S. persons. Even if not required to be registered with the CFTC, such entities are potentially subject to certain of the CFTC's regulatory requirements in connection with transactions that they enter into with counterparties that are U.S. persons. The CFTC recently adopted rules regarding cross-border swap transactions, which became effective on November 13, 2020. These rules, among other things, permit "substituted compliance" by swap dealers located in non-U.S. jurisdictions with regulatory schemes determined by the CFTC to be comparable to its own, when such swap dealers deal with non-U.S. persons. The CFTC had previously made such a determination with respect to certain aspects of Australian law and regulation prior to its adoption of the cross-border rules, and that determination remains in effect under the new rules. Pursuant to that determination, we are able to rely on substituted compliance with respect to certain aspects of CFTC rules in connection with transactions outside the U.S. with non-U.S. counterparties.

U.S. prudential regulators and the CFTC have implemented rules imposing initial and variation margin requirements on transactions in uncleared swaps and security-based swaps. As we are supervised by the FRB and operate the New York Branch that is regulated by the OCC, we need to comply with the uncleared swap margin rules promulgated by the FRB. These rules impose requirements to collect and post initial and variation margin in respect of in-scope trading with in-scope counterparties. The rules of the prudential regulators and the CFTC also allow non-U.S. swap dealers, such as us, to comply

Financial System Regulation in the United States (continued)

with the applicable laws of non-U.S. jurisdictions in lieu of compliance with their margin rules, or otherwise not to comply with U.S. margin rules, with respect to certain categories of transactions and counterparties.

Dodd-Frank also requires us to submit U.S. resolution plans to the FRB and the FDIC. We submitted our most recent annual U.S. resolution plan in December 2018. We are also subject to “enhanced prudential regulations” under Reg. YY, Subpart N, which was adopted pursuant to Dodd-Frank Section 165, and that requires annual certification of compliance with the financial and risk oversight requirements thereof. In October 2019, the FRB and the FDIC issued final rules that apply tailored requirements on resolution planning and a modification of the enhanced prudential standards applicable to foreign banking organizations, depending on the size of their U.S. operations and their risk profile. Under the final rules, we are a triennial reduced filer, and thus were required to submit a reduced resolution plan on October 1, 2020. If we remain a triennial reduced filer as of July 1, 2022, we will be required to submit our next reduced resolution plan on or before that date.

The U.S. Foreign Account Tax Compliance Act (“FATCA”) requires financial institutions to undertake specific customer due diligence and provide information on account holders who are U.S. citizens or tax residents to the United States Federal tax authority, the Internal Revenue Service, either directly or via local tax authorities. If the required customer due diligence and provision of account holder information is not undertaken and provided in a manner and form meeting the applicable requirements, the Group and/or persons owning assets in accounts with Group members may be subjected to a 30% withholding tax on certain amounts. While such withholding tax may currently apply only to certain payments derived from sources within the United States, no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to the date that is two years after the date on which final U.S. regulations defining the term “foreign passthru payment” are enacted. There is currently no proposed or final definition of “foreign passthru payment” and it is therefore impossible to know whether certain payments could possibly be treated as foreign passthru payments.

The discussion above reflects recently proposed U.S. regulations that eliminate withholding on certain gross proceeds payments and delay the effective date for withholding on payments from sources outside the United States. The U.S. Treasury Department has indicated that taxpayers may rely on the proposed regulations. The discussion assumes that the regulations will be finalized in their current form and will be effective retroactively.

In addition to FATCA, the U.S. may require the Group in certain circumstances to provide certain information to U.S. payers (withholding agents, custodians, etc.), and the Group and/or its customers may face withholding tax if the Group does not provide such information in compliance with the applicable rules and regulations. Moreover, even if the Group does provide the required information, withholding may still be applicable to certain U.S. source payments.

In the event that any country in which we operate does not finalize and enforce an Intergovernmental Agreement with the United States, and that country has local law impediments preventing compliance with FATCA, the Group may also be subject to broader compliance issues, significant withholding exposure and other operational impacts.

A major focus of U.S. governmental policies affecting financial institutions has been combatting money laundering and terrorist financing. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “Patriot Act”), which amended the Bank Secrecy Act (“BSA”), substantially broadened the scope of U.S. anti-money laundering laws by imposing significant compliance and due diligence obligations, identifying crimes and stipulating penalties and expanding the extra-territorial jurisdiction of the U.S. The U.S. Treasury Department has issued a number of regulations implementing various requirements of the Patriot Act that apply to U.S. financial institutions, including subsidiaries and branches of foreign banks such as our U.S. broker-dealer subsidiary and our New York branch.

Those regulations require financial institutions operating in the United States to maintain appropriate policies, procedures and controls to detect, prevent, and report money laundering and terrorist financing and to verify the identity of their customers. In addition, the U.S. bank regulatory agencies have imposed heightened standards and U.S. law enforcement authorities have been taking a more active role, resulting in intensified enforcement of such matters. Recent resolutions involving other global financial institutions have involved the payment of substantial penalties, agreements with respect to future operation of their businesses and actions with respect to relevant personnel. Failure of a financial institution to maintain and implement adequate policies and procedures to combat money laundering and terrorist financing could have serious legal and reputational consequences for the financial institution, as well as result in the imposition of civil, monetary and criminal penalties.

In January 2021, the Anti-Money Laundering Act of 2020 (“AMLA”), which amends the BSA, was enacted. The AMLA is intended to comprehensively reform and modernize U.S. anti-money laundering laws. Among other things, the AMLA codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards by the U.S. Department of the Treasury for evaluating technology and internal processes for BSA compliance; and expands enforcement- and investigation-related authority, including a significant expansion in the available sanctions for certain BSA violations. Many of the statutory provisions in the AMLA will require additional rulemakings, reports and other measures, and the effects of the AMLA will depend on, among other things, rulemaking and implementation guidance.

Group Operations and Business Settings (continued)

Leverage Ratio

Summary Group Leverage Ratio	As at 31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Tier 1 Capital ($M)	**67,920**	63,414	63,218	7	7
Total Exposures ($M) [1]	**1,125,048**	1,073,131	1,040,423	5	8
Leverage Ratio (APRA) (%)	**6. 0**	5. 9	6. 1	10 bpts	(10)bpts
Leverage Ratio (Internationally Comparable) (%) [2]	**6. 8**	6. 7	7. 0	10 bpts	(20)bpts

1 Total exposures is the sum of on Balance Sheet exposures, derivatives, Securities Financing Transactions (SFTs), and off Balance Sheet exposures, net of any Tier 1 regulatory deductions, as outlined in APS 110 "Capital Adequacy".

2 The Tier 1 Capital included in the calculation of the internationally comparable leverage ratio aligns with the 13 July 2015 APRA study titled "International capital comparison study", and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.

The Bank's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 6.0% at 31 December 2020 on an APRA basis and 6.8% on an internationally comparable basis. The ratio increased 10 basis points on an APRA basis from 30 June 2020 driven by higher Tier 1 Capital, partly offset by a 5% growth in exposures.

In November 2018, APRA released draft prudential and reporting standards, including changes to the definition of exposures related to derivatives and off Balance Sheet items and advocating a minimum leverage ratio requirement of 3.5% for IRB banks, applicable from 1 January 2023.

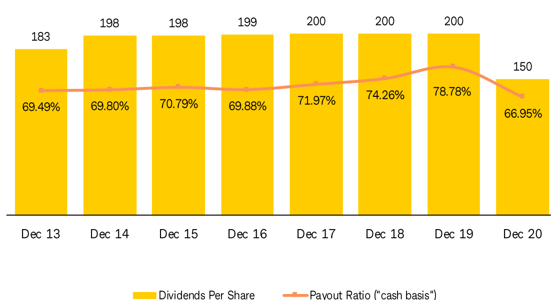
Dividends

Interim dividend for the Half Year Ended 31 December 2020

The interim dividend determined was $1.50 per share, a decrease of 50 cents on the prior comparative period. The dividend payout ratio ("cash basis") for the half year ended to 31 December 2020 was 66.95% (54.57% on a "statutory basis").

The interim dividend is expected to be fully franked and is expected to be paid on 30 March 2021 to owners of ordinary shares at the close of business on 17 February 2021 (record date). Shares were quoted ex-dividend on 16 February 2021.

Interim Dividend History (cents per share)



Dividend Reinvestment Plan (DRP)

The DRP will continue to be offered to shareholders, and no discount will be applied to shares allocated under the plan for the interim dividend. The DRP for the 2021 interim dividend is anticipated to be satisfied in full by an on-market purchase of shares.

Dividend Policy

The Bank will seek to:

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

On 15 December 2020, APRA announced that its guidance issued in July 2020 requiring banks to preserve capital through retaining at least half of their earnings during the period of disruption caused by COVID-19, will no longer apply from the start of calendar year 2021. Nevertheless, in determining the appropriate level of dividends, APRA expects banks to moderate dividend payout ratios to ensure they are sustainable, taking into account the outlook for profitability, capital and the broader environment.

Liquidity

Level 2	Quarterly Average Ended [1] 31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) [2]	**120,730**	121,889	89,028	(1)	36
Committed Liquidity Facility (CLF) [3]	**62,425**	68,931	50,700	(9)	23
Total LCR liquid assets	**183,155**	190,820	139,728	(4)	31
Net Cash Outflows (NCO)					
Customer deposits	**97,779**	93,759	76,473	4	28
Wholesale funding	**10,834**	11,869	11,143	(9)	(3)
Other net cash outflows [4]	**19,720**	17,935	16,946	10	16
Total NCO	**128,333**	123,563	104,562	4	23
Liquidity Coverage Ratio (%)	**143**	155	134	large	large
LCR surplus	**54,822**	67,257	35,166	(18)	56

1 The averages presented are calculated as simple averages of daily observations over the quarter. Spot LCR for 31 December 2020 was 127% (30 June 2020: 145%; 31 December 2019: 125%).

2 Includes all repo-eligible securities with the Reserve Bank of New Zealand. The amount of open-repo of Internal Residential Mortgage-Backed Securities and Exchange Settlement Account (ESA) cash balance held by the Reserve Bank of Australia is shown net.

3 Committed Liquidity Facility (CLF) includes CLF of $30.0 billion (30 June 2020: $45.8 billion; 31 December 2019: $50.7 billion) and the Group's average undrawn TFF allowance of $21.8 billion as per APRA guidance.

4 Includes cash inflows.

Liquidity Coverage Ratio (LCR)

The Group believes it holds high quality, well diversified liquid assets to meet Balance Sheet liquidity needs, and regulatory requirements, including APRA's Liquidity Coverage Ratio (LCR). The LCR requires Australian Authorised Deposit-taking Institutions (ADIs) to hold sufficient liquid assets to meet 30 day Net Cash Outflows (NCOs) projected under a prescribed stress scenario. LCR liquid assets consist of High Quality Liquid Assets (HQLA) in the form of cash, deposits with central banks, Government securities, and other repo-eligible securities with the Reserve Bank of Australia (RBA) under the Committed Liquidity Facility (CLF). Given the limited amount of Government securities in Australia, the RBA provides participating ADIs access to contingent liquidity on a secured basis via the CLF. The amount of the CLF for each ADI is set annually by APRA.

The Group's CLF allocation decreased from $45.8 billion to $30.0 billion on 1 December 2020, driven by a reduced requirement for contingent liquidity due to an increase in HQLA held and available to be held by the ADIs.

On 19 March 2020, the RBA announced the establishment of a three-year Term Funding Facility (TFF), providing eligible ADIs fixed-rate funding at 0.25%. From 4 November 2020 onwards, new drawdowns of TFF are provided at a fixed-rate of 0.10%. As at 31 December 2020, the Group had a total TFF allocation of $41.0 billion, with its initial TFF allowance of $19.1 billion fully drawn, and its Supplementary Allowance of $13.0 billion and Additional Allowance of $8.9 billion undrawn. As at 1 February 2021, the Group's total available TFF allocation was $40.9 billion.

The Group's December 2020 quarterly average LCR was 143%, a decrease of 12% compared to the quarterly average ended 30 June 2020, and an increase of 9% from the quarterly average ended 31 December 2019. The LCR remains well above the regulatory minimum of 100%.

Compared to the quarterly average ended 30 June 2020, LCR liquid assets decreased by $7.7 billion or 4% due to the reduction in the CLF from 1 December 2020. The Group's 30 day modelled NCOs increased $4.8 billion or 4% mainly driven by strong growth in at-call customer deposits.

Compared to the quarterly average ended 31 December 2019, LCR liquid assets increased by $43.4 billion or 31% driven by a $31.7 billion increase in HQLA, and an increase in CLF from the undrawn TFF. The Group's 30 day modelled NCO increased $23.7 billion or 23% mainly driven by strong growth in at-call customer deposits.

Liquidity and Capital Resources

The Bank's key liquidity tools include:

- A regulatory liquidity management reporting system delivering granular customer and product type information to inform business decision making, product development and resulting in a greater awareness of the liquidity risk adjusted value of banking products;
- A liquidity management model similar to a "maturity ladder" or "liquidity gap analysis" that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a "stress" liquidity crisis scenarios, incorporating both systemic and idiosyncratic crisis assumptions, such that the Bank expects to have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- Central bank repurchase agreement facilities that provide the Bank with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- A robust Contingent Funding Plan, as discussed in Note 9.4 of the 2020 Financial Report that is regularly tested so that it can be activated in case of need due to a liquidity event.

Liquidity and Capital Resources (continued)

Debt Issues	Half Year Ended 31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M
Total short-term debt issues	**38,440**	36,406	45,266
Total long-term debt issues	**84,108**	106,097	108,031
Total debt issues	**122,548**	142,503	153,297

Debt Issues	Half Year Ended 31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M
Maturity Distribution of Debt Issues (1)			
Less than three months	**20,810**	12,483	19,877
Between three and twelve months	**17,630**	23,923	25,389
Between one and five years	**50,056**	67,352	72,348
Greater than five years	**34,052**	38,745	35,683
Total debt issues	**122,548**	142,503	153,297

1 Represents the contractual maturity of the underlying instruements; other than for RMBS which is based on expected life

The following table details the current debt programs and issuing shelves along with program or shelf size as at 31 December 2020. Access in a timely and flexible manner to a diverse range of debt markets and investors is provided by the following programs.

Programme/ Issue Shelf	Programme/ Issuing Shelf Type
Australia	
Unlimited	Domestic Debt Issuance Programme
Unlimited	Colonial Holding Company Limited A$ Debt Issuance Programme
Euro Market	
EUR 7 billion	ASB Covered Bond Programme [1]
USD 7 billion	ASB Euro Commercial Paper Programme [1]
USD 20 billion	CBA Euro Commercial Paper and Certificate of Deposit Programme
USD 70 billion	Euro Medium - Term Note Program [2]
Asia	
JPY 500 billion	Uridashi shelf [3]
JPY 500 billion	Samurai shelf [3]
USD 5 billion	CBA Asian Transferable Certificate of Deposit Programme
New Zealand	
Unlimited	ASB Domestic Medium - Term Note Programme [4]
Unlimited	ASB Registered Certificate of Deposit Programme [4]
United States	
USD 7 billion	ASB US Commercial Paper Programme [1]
USD 10 billion	ASB US Rule 144A/Regulation S Medium-Term Note Programme [4]
USD 35 billion	CBA US Commercial Paper Programme
USD 50 billion	CBA U.S. Rule 144A/Regulation S Medium-Term Note Programme
USD 30 billion	CBA Covered Bond Programme
USD 25 billion	CBA 3(a)(2) Medium-Term Note Programme

1 ASB Finance Limited is the issuer under these programs. Issuances are unconditionally and irrevocably guaranteed by ASB Bank Limited.
2 This is a joint program between CBA and ASB Finance Limited. Issuances by ASB Finance Limited under the program are unconditionally and irrevocably guaranteed by ASB Bank Limited.
3 Amounts are also reflected under the US$70 billion Euro Medium Term Note Programme.
4 ASB Bank Limited is the issuer under these programs.

Funding

Group Funding [2]	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
	As at [1]				
Customer deposits	**680,334**	640,969	600,456	6	13
Short-term wholesale funding [3]	**70,542**	71,191	81,518	(1)	(13)
Long-term wholesale funding - less than or equal to one year residual maturity [4]	**30,326**	22,147	26,032	37	16
Long-term wholesale funding - more than one year residual maturity [4]	**119,739**	125,563	131,264	(5)	(9)
IFRS MTM and derivative FX revaluations	**5,270**	7,241	3,012	(27)	75
Total wholesale funding	**225,877**	226,142	241,826	–	(7)
Short-term collateral deposits [5]	**3,288**	3,618	5,523	(9)	(40)
Total funding	**909,499**	870,729	847,805	4	7

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

2 Shareholders' equity is excluded from this view of funding sources.

3 Short-term wholesale funding includes debt with an original maturity or call date of less than or equal to 12 months, and consists of certificates of deposit and bank acceptances, debt issued under the Euro Medium Term Note (EMTN) program and the domestic, Euro and US commercial paper programs of Commonwealth Bank of Australia and ASB. Short-term wholesale funding also includes deposits from banks and central banks as well as net repurchase agreements.

4 Long-term wholesale funding includes debt with an original maturity or call date of greater than 12 months and the Group's drawn TFF allowance.

5 Short-term collateral deposits includes net collateral received and the amount of internal Residential Mortgage Backed Securities (RMBS) pledged with the Reserve Bank to facilitate intra-day cash flows in the Exchange Settlement Account (ESA).

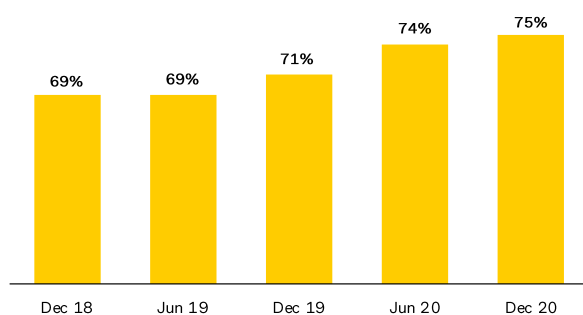
Customer Deposits

Customer deposits accounted for 75% of total funding at 31 December 2020, an increase of 1% from 74% at 30 June 2020 and an increase of 4% from 71% at 31 December 2019. The Group satisfied a significant proportion of its funding requirements from retail, business, and institutional customer deposits.

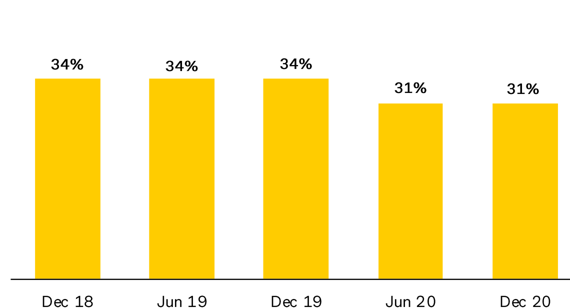
Short-Term Wholesale Funding

Short-term wholesale funding accounted for 31% of total wholesale funding at 31 December 2020, flat on 30 June 2020, and a decrease of 3% from 34% at 31 December 2019 as the Group continues to maintain what management believes to be a conservative funding mix.

Customers Deposits to Total Funding Ratio



Short-Term to Total Wholesale Funding Ratio



Funding (continued)

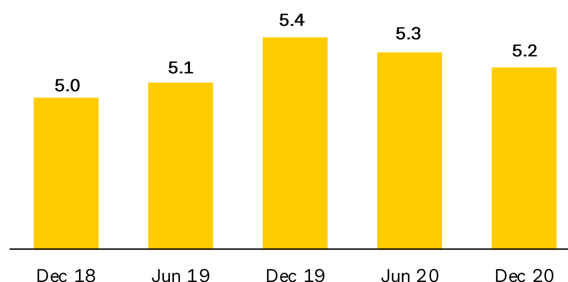
Long-Term Wholesale Funding

Long-term wholesale funding (including IFRS MTM and derivative FX revaluations) accounted for 69% of total wholesale funding at 31 December 2020, flat on 30 June 2020 and an increase of 3% from 31 December 2019.

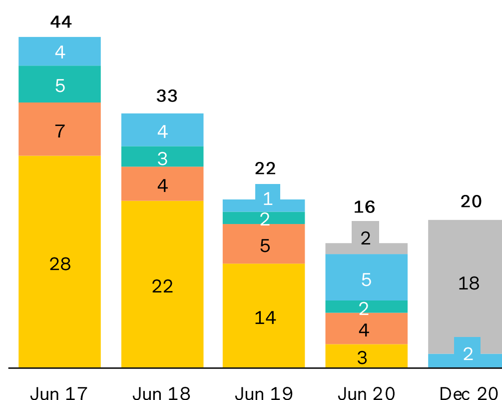
During the half year to 31 December 2020, the Group raised $2.1 billion of long-term wholesale funding (Tier 2 Capital), all denominated in AUD. In addition, the Group drew down $17.6 billion of its TFF allowance, taking the total long-term funding issuance for the 6 months to 31 December 2020 to $19.7 billion.

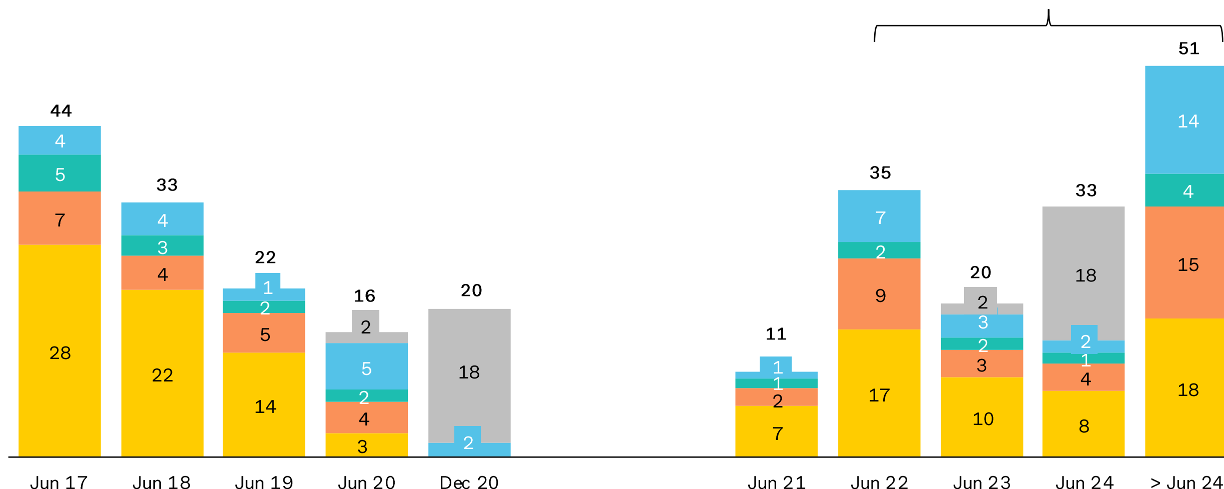
The Weighted Average Maturity (WAM) of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 31 December 2020 was 5.2 years (5.7 years excluding the TFF).

Weighted Average Maturity of Long-Term Wholesale Debt (years) [1]



Long-Term Wholesale Funding Profile ($B)





1 Represents the weighted average maturity of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 31 December 2020 including the TFF drawdown. WAM as at 31 December 2020 excluding TFF drawdowns is 5.7 years.

2 Includes Senior Bonds and Structured MTN.

3 Additional Tier 1 and Tier 2 Capital.

Net Stable Funding Ratio (NSFR)

	As at				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
Level 2	$M	$M	$M	Jun 20 %	Dec 19 %
Required Stable Funding					
Residential Mortgages ≤35% [1,2]	**269,535**	264,169	274,745	2	(2)
Other Loans	**243,543**	236,540	240,311	3	1
Liquid and Other Assets	**69,627**	63,078	59,777	10	16
Total Required Stable Funding	**582,705**	563,787	574,833	3	1
Available Stable Funding					
Capital	**103,281**	99,005	96,464	4	7
Retail/SME Deposits	**423,891**	394,155	371,896	8	14
Wholesale Funding & Other [3]	**191,112**	185,758	185,845	3	3
Total Available Stable Funding	**718,284**	678,918	654,205	6	10
Net Stable Funding Ratio (NSFR) (%)	**123**	120	114	300 bpts	large

Net Stable Funding Ratio (NSFR)

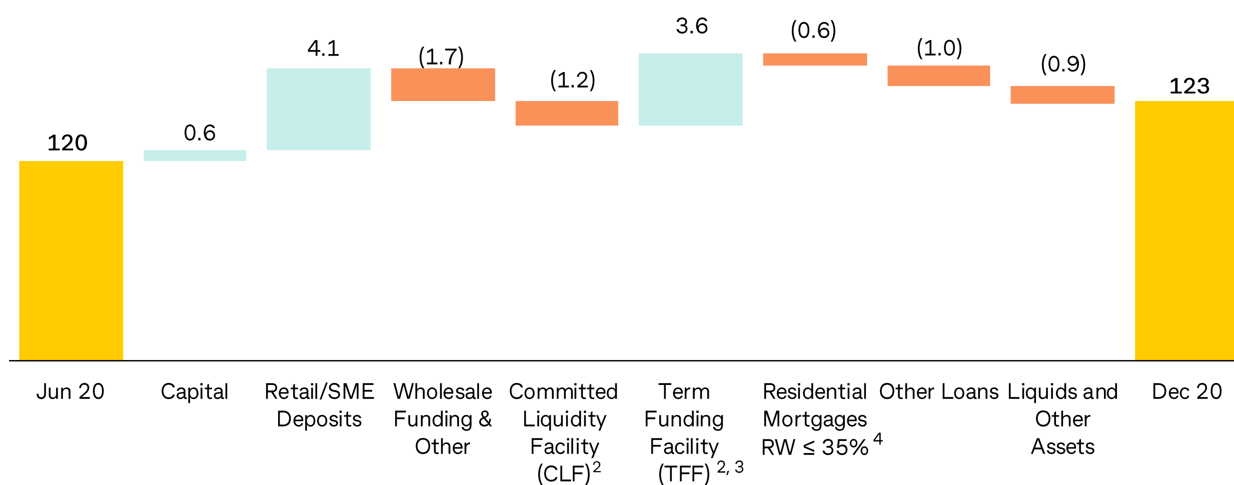
On 1 January 2018, APRA introduced a Net Stable Funding Ratio (NSFR) requirement designed to encourage stable funding of core assets. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of funding sources.

The Group's NSFR was 123% at 31 December 2020, an increase of 3% from 120% at 30 June 2020 and an increase of 9% from 114% at 31 December 2019, and well above the regulatory minimum of 100%.

The 3% increase in Required Stable Funding (RSF) over the half primarily reflects an increase in the Group's lending balances including both residential mortgages and business lending.

The 6% increase in Available Stable Funding (ASF) over the half reflects strong growth in Retail and SME deposits, an increase in Capital due to Tier 2 issuances, and the drawing down of the TFF.

NSFR Movement (%)



1 This represents residential mortgages with a risk weighting of less than or equal to 35% under APRA standard APS 112 "Capital Adequacy: Standardised Approach to Credit Risk".

2 For the purpose of calculating NSFR, the residential mortgages that have been pledged as collateral for the TFF and CLF receive a lower RSF factor. The decrease in the Group's CLF allocation from $45.8 billion to $30.0 billion from 1 December 2020 has resulted in a higher RSF factor for those mortgages no longer eligible as collateral. The increase in the Group's TFF allowance in the current half has resulted in a lower RSF factor for mortgages that have been pledged as collateral for the TFF and therefore lowered the RSF and benefited NSFR. The impact from the two changes have broadly offset each other in the current half.

3 In addition to the lower RSF factor from the increased TFF allowance, the increased drawn TFF balances during the half have resulted in a higher ASF (benefit from increase in 3 year funding) and therefore a benefit to NSFR.

4 Primarily reflecting the impact on NSFR from volume growth in mortgages.

Corporate Governance

Changes to Executive Leadership Team

There was no change to the composition of the Group's Executive Leadership Team during the half year ended 31 December 2020.

Changes to Board of Directors

On 1 September 2020, Simon Moutter was appointed as Independent, Non-Executive Director of the Bank.

On 13 October 2020, Wendy Stops retired as Independent, Non-Executive Director of the Bank.

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Contents

5. Divisional Performance

Divisional Summary	70
Retail Banking Services	72
Business Banking	77
Institutional Banking and Markets	81
New Zealand	85
International Financial Services	91
Corporate Centre	94
Wealth Management (Discontinued Operations)	96

Divisional Performance

Divisional Summary

Divisional Summary	Retail Banking Services [1] $M	Business Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	IFS and Corporate Centre $M	Total $M
	Half Year Ended 31 December 2020						
Net interest income	4,923	2,603	691	–	999	155	**9,371**
Other banking income	763	831	546	–	200	79	**2,419**
Total banking income	5,686	3,434	1,237	–	1,199	234	**11,790**
Funds management income	15	–	–	–	68	(3)	**80**
Insurance income	92	–	–	–	–	(1)	**91**
Total operating income	5,793	3,434	1,237	–	1,267	230	**11,961**
Operating expenses	(2,357)	(1,242)	(485)	–	(486)	(996)	**(5,566)**
Loan impairment expense	(308)	(286)	(177)	–	(27)	(84)	**(882)**
Net profit/(loss) before tax	3,128	1,906	575	–	754	(850)	**5,513**
Corporate tax (expense)/benefit	(932)	(571)	(152)	–	(212)	240	**(1,627)**
Non-controlling interests	–	–	–	–	–	–	**–**
Net profit/(loss) after tax from continuing operations ("cash basis")	2,196	1,335	423	–	542	(610)	**3,886**
Net profit after tax from discontinued operations	–	–	–	84	–	5	**89**
Net profit/(loss) after tax ("cash basis")	2,196	1,335	423	84	542	(605)	**3,975**
(Loss)/ Gain on acquisition, disposal, closure and demerger of businesses [3]	(7)	(14)	–	642	–	289	**910**
Hedging and IFRS volatility	–	–	–	–	(52)	44	**(8)**
Net profit/(loss) after tax ("statutory basis")	2,189	1,321	423	726	490	(272)	**4,877**

	Retail Banking Services [1] %	Business Banking %	Institutional Banking and Markets %	Wealth Management %	New Zealand %	IFS and Corporate Centre %	Total %
	Half Year Ended 31 December 2020 vs Half Year Ended 31 December 2019 [2]						
Net interest income	1	(4)	2	–	4	12	**–**
Other banking income	(12)	14	5	–	1	(65)	**(5)**
Total banking income	(1)	–	3	–	3	(36)	**(1)**
Funds management income	(71)	–	–	–	(4)	(88)	**(18)**
Insurance income	large	–	–	–	–	–	**large**
Total operating income	–	–	3	–	3	(32)	**(1)**
Operating expenses	2	2	(2)	–	1	43	**7**
Loan impairment expense	16	22	large	–	29	38	**36**
Net profit before tax	(3)	(4)	(10)	–	3	large	**(11)**
Corporate tax (expense)/benefit	(4)	(5)	(12)	–	4	85	**(10)**
Non-controlling interests	–	–	–	–	–	–	**–**
Net profit after tax from continuing operations ("cash basis")	(3)	(4)	(9)	–	2	large	**(11)**
Net profit after tax from discontinued operations	–	–	–	(34)	–	(55)	**(36)**
Net profit after tax ("cash basis")	(3)	(4)	(9)	(34)	2	large	**(12)**
(Loss)/ Gain on acquisition, disposal, closure and demerger of businesses	large	large	–	(59)	(100)	large	**(44)**
Hedging and IFRS volatility	–	–	–	–	58	(36)	**large**
Net profit after tax ("statutory basis")	(5)	(5)	(9)	(57)	(3)	31	**(21)**

1 Retail Banking Services including Mortgage Broking and General Insurance.

2 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

3 Includes post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs associated with the disposal of BoCommLife, CFS, CFSGAM, PT Commonwealth Life and other businesses, and the deconsolidation of CommInsure Life.

Divisional Performance (continued)

Divisional Summary (continued)

	Half Year Ended 31 December 2020 vs Half Year Ended 30 June 2020 [1]						
	Retail Banking Services [2]	Business Banking	Institutional Banking and Markets	Wealth Management	New Zealand	IFS and Corporate Centre	Total
	%	%	%	%	%	%	%
Net interest income	2	1	(2)	–	3	(7)	**1**
Other banking income	(9)	9	47	–	14	(47)	**5**
Total banking income	–	3	15	–	5	(26)	**2**
Funds management income	(6)	–	–	–	5	(50)	**7**
Insurance income	(17)	–	–	–	–	(50)	**(17)**
Total operating income	–	3	15	–	5	(25)	**2**
Operating expenses	–	–	(8)	–	(10)	(3)	**(2)**
Loan impairment expense	(60)	(48)	(38)	–	(90)	large	**(53)**
Net profit before tax	17	24	large	–	89	20	**32**
Corporate tax (expense)/benefit	17	23	57	–	91	5	**31**
Non-controlling interests	–	–	–	–	–	–	**–**
Net profit after tax from continuing operations ("cash basis")	16	24	large	–	88	27	**32**
Net profit after tax from discontinued operations	–	–	–	large	–	–	**large**
Net profit after tax ("cash basis")	16	24	large	large	88	27	**35**
(Loss)/ Gain on acquisition, disposal, closure and demerger of businesses	(13)	(18)	–	96	(100)	81	**97**
Hedging and IFRS volatility	–	–	–	–	large	large	**large**
Net profit/(loss) after tax ("statutory basis")	17	24	large	large	10	(35)	**40**

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

2 Retail Banking Services including Mortgage Broking and General Insurance.

Retail Banking Services

Overview

Retail Banking Services provides simple, convenient and affordable banking and insurance products and services to personal and private bank customers, helping them manage their everyday banking needs, buy a home, protect their assets, or invest for the future. We support our customers through an extensive network of branches, ATMs, Australian-based customer call centres, leading online services and apps, as well as mobile banking specialists, private bankers and support teams. Retail Banking Services also includes the financial results of retail banking activities conducted under the Bankwest brand.

In order to better serve our customers, and align distribution channels and core product offerings, from July 2020 Commonwealth Private was transferred out of the Business Banking division and consolidated into the Retail Banking Services division. Refer to Appendix 4.9 for further information.

From March 2020, the 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. 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. On 1 October 2019, CBA completed the sale of Count Financial Limited (Count Financial) to CountPlus Limited resulting in Count Financial results being recognised for the period up to 1 October 2019. As Count Financial does not in itself constitute a major line of the Group's business, the financial results of Count Financial are treated as continuing operations and are included in the account lines of Retail Banking Services' performance. Refer to Note 7.3 to the Financial Statements included in this Document for further information.

On 16 December 2020, the Group announced that it had entered into an agreement to merge Aussie Home Loans with Lendi Pty Ltd (Lendi), an online home loan platform. Upon completion, the Group will retain a 45% shareholding in the combined business, with existing Lendi shareholders holding the remaining 55% shareholding. The sale is subject to Australian regulatory approvals, and is expected to complete by mid calendar year 2021. As Aussie Home Loans did not constitute a major line of the Group's business, the financial results of Aussie Home Loans are treated as continuing operations and included in the account lines of Retail Banking Services' performance.

	Half Year Ended [1]					
	Retail Banking (excl. Mortgage Broking and General Insurance)					Total RBS [2]
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %	**31 Dec 20 $M**
Net interest income	**4,925**	4,837	4,860	2	1	**4,923**
Other banking income	**633**	709	734	(11)	(14)	**763**
Total banking income	**5,558**	5,546	5,594	–	(1)	**5,686**
Funds management income	**15**	16	51	(6)	(71)	**15**
Insurance income	**–**	–	–	–	–	**92**
Total operating income	**5,573**	5,562	5,645	–	(1)	**5,793**
Operating expenses	**(2,186)**	(2,178)	(2,157)	–	1	**(2,357)**
Loan impairment expense	**(308)**	(768)	(266)	(60)	16	**(308)**
Net profit before tax	**3,079**	2,616	3,222	18	(4)	**3,128**
Corporate tax expense	**(918)**	(776)	(967)	18	(5)	**(932)**
Net profit after tax ("cash basis")	**2,161**	1,840	2,255	17	(4)	**2,196**
(Loss)/ Gain on acquisition, disposal, closure and demerger of businesses	**(7)**	(8)	49	(13)	large	**(7)**
Net profit after tax ("statutory basis")	**2,154**	1,832	2,304	18	(7)	**2,189**
Net profit after tax from Mortgage Broking and General Insurance	**35**	46	1	(24)	large	**n/a**
Total net profit after tax ("statutory basis")	**2,189**	1,878	2,305	17	(5)	**2,189**

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

2 RBS including Mortgage Broking and General Insurance.

Retail Banking Services (continued)

Income analysis	Half Year Ended[1] Retail Banking (excl. Mortgage Broking and General Insurance) 31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %	Total RBS[2] 31 Dec 20 $M
Net interest income						
Home loans	**3,179**	2,893	2,746	10	16	**3,177**
Consumer finance & other[3]	**638**	751	835	(15)	(24)	**638**
Deposits	**1,108**	1,193	1,279	(7)	(13)	**1,108**
Total net interest income	**4,925**	4,837	4,860	2	1	**4,923**
Other banking income						
Home loans	**135**	139	136	(3)	(1)	**135**
Consumer finance[4]	**218**	216	259	1	(16)	**218**
Deposits	**158**	179	192	(12)	(18)	**158**
Distribution & other[5]	**122**	175	147	(30)	(17)	**252**
Total other banking income	**633**	709	734	(11)	(14)	**763**
Total banking income	**5,558**	5,546	5,594	–	(1)	**5,686**

Balance Sheet (excl. Mortgage Broking and General Insurance)	As at[1] 31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Home loans[6]	**413,689**	400,921	392,888	3	5
Consumer finance[4]	**11,723**	12,262	14,331	(4)	(18)
Other interest earning assets	**1,789**	1,739	1,842	3	(3)
Total interest earning assets	**427,201**	414,922	409,061	3	4
Other assets	**3,314**	3,486	4,056	(5)	(18)
Total assets	**430,515**	418,408	413,117	3	4
Transaction deposits[7]	**44,598**	39,185	36,474	14	22
Savings deposits[7]	**139,144**	128,470	120,399	8	16
Investment deposits & other	**71,337**	78,376	82,967	(9)	(14)
Total interest bearing deposits	**255,079**	246,031	239,840	4	6
Non-interest bearing transaction deposits	**39,863**	33,882	28,472	18	40
Other non-interest bearing liabilities	**3,240**	3,327	3,234	(3)	–
Total liabilities	**298,182**	283,240	271,546	5	10

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
2 RBS including Mortgage Broking and General Insurance.
3 Consumer finance and other includes personal loans, credit cards and business lending.
4 Consumer finance includes personal loans and credit cards.
5 Distribution includes income associated with the sale of foreign exchange and wealth products. Other includes asset finance, merchants and business lending.
6 Home loans are presented gross of $46,223 million of mortgage offset balances (30 June 2020: $41,337 million; 31 December 2019: $39,644 million). These balances are required to be grossed up under accounting standards but are netted down for the calculation of customer interest payments.
7 Transaction and Savings deposits includes $46,223 million of mortgage offset balances (30 June 2020: $41,337 million; 31 December 2019: $39,644 million).

Divisional Performance (continued)

Retail Banking Services (continued)

Key Financial Metrics (excl. Mortgage Broking and General Insurance)	Half Year Ended [1] 31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Performance indicators					
Net interest margin (%)	**2. 60**	2. 62	2. 65	(2)bpts	(5)bpts
Statutory return on assets (%)	**1. 0**	0. 9	1. 1	10 bpts	(10)bpts
Statutory operating expenses to total operating income (%) [3]	**41. 0**	40. 7	40. 1	30 bpts	90 bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 15**	0. 37	0. 13	(22)bpts	2 bpts
Other information					
Average interest earning assets ($M) [2]	**375,715**	371,519	365,200	1	3
Risk weighted assets ($M) [3]	**165,036**	167,205	167,134	(1)	(1)
90+ days home loan arrears (%)	**0. 59**	0. 63	0. 65	(4)bpts	(6)bpts
90+ days consumer finance arrears (%)	**0. 96**	1. 34	1. 05	(38)bpts	(9)bpts
Number of full-time equivalent staff (FTE)	**13,918**	14,184	13,987	(2)	–

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
2 Average interest earning assets are presented net of mortgage offset balances, which reduce customer interest payments. Average interest earning assets are also used in the calculation of divisional net interest margin.
3 Includes Mortgage Broking and General Insurance.

Financial Performance and Business Review [1]

Half Year Ended December 2020 versus December 2019

Retail Banking Services net profit after tax ("statutory basis") for the half year ended 31 December 2020 was $2,154 million, a decrease of $150 million or 7% on the prior comparative period. The result was driven by a 1% decrease in total operating income, a 1% increase in operating expenses and a 16% increase in loan impairment expense.

Net Interest Income

Net interest income was $4,925 million, an increase of $65 million or 1% on the prior comparative period. This was driven by 3% growth in average interest earning assets due to strong growth in home loans, partly offset by a 2% decrease in net interest margin.

Net interest margin decreased by 5 basis points on the prior comparative period, reflecting:

- Lower deposit margins due to reduced earnings on transaction and savings deposits reflecting decreases in the cash rate, and lower earnings on investment deposits from lower swap rates (down 10 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 6 basis points);
- Unfavourable portfolio mix (down 3 basis points) due to a reduction in higher margin consumer finance balances, more than offsetting the mix benefit from customers switching to at-call deposits from investment deposits; and
- Lower consumer finance margin due to a reduction in the proportion of credit card balances earning interest (down 1 basis point); partly offset by
- Higher home lending margins (up 7 basis points) reflecting repricing (up 22 basis points), partly offset by unfavourable home loan portfolio mix (down 7 basis points) with a shift to lower margin loans (interest only to principal and interest, variable to fixed, and investor to owner occupied), and increased competition (down 8 basis points); and
- Lower wholesale funding costs primarily due to a decrease in the spread between the three month bank bill swap rate and the three month overnight index swap rate (basis risk) notwithstanding the reduced exposure to basis risk due to strong growth in cash rate linked deposits and a mix shift towards fixed rate home loans (up 8 basis points).

Other Banking Income

Other banking income was $633 million, a decrease of $101 million or 14% on the prior comparative period, reflecting:

- Lower credit card income from reduced transaction volumes and loyalty redemptions, mainly driven by the impact of COVID-19;
- Lower foreign exchange income from international travel restrictions due to COVID-19; and
- Lower deposit income due to reduced international spend volumes and lower volume based transaction fees; partly offset by
- Payments received from AIA reflecting progress in meeting partnership milestones following the divestment of CommInsure Life.

Funds Management Income

Funds management income was $15 million, a decrease of $36 million or 71% on the prior comparative period. This was driven by the wind-down of the Aligned Advice businesses [2].

Operating Expenses

Operating expenses were $2,186 million, an increase of $29 million or 1% on the prior comparative period. This was primarily driven by increased financial assistance and home loan processing volumes, higher investment spend, increased customer remediation, and inflation, partly offset by lower credit card loyalty redemptions as a result of COVID-19 and productivity initiatives including workforce and branch optimisation.

1 In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact of the Mortgage Broking and General Insurance businesses for which commentary has been provided separately.

2 Refer to Note 7.3 for further information.

Retail Banking Services (continued)

Financial Performance and Business Review (continued)

The number of FTE decreased by 69 FTE on the prior comparative period, from 13,987 to 13,918 FTE, driven by frontline and head office optimisation, partly offset by increased call centre, financial assistance and risk resourcing.

Investment spend increased on the prior comparative period, driven by risk and compliance initiatives including Program of Action, Privacy and Open Banking. Refer to Note 7.2 to the Financial Statements included in this Document for further information on the Program of Action.

The total operating expense to total operating income ratio ("statutory basis") was 41.0%, an increase of 90 basis points on the prior comparative period, mainly due to lower total operating income.

Loan Impairment Expense

Loan impairment expense was $308 million, an increase of $42 million or 16% on the prior comparative period. The result was driven by higher collective provisions mainly due to increased forward looking adjustments reflecting uncertainty in the economic outlook and emerging risks as a result of COVID-19, partly offset by lower consumer finance balances.

Loan impairment expense as a percentage of average GLAAs increased 2 basis points on the prior comparative period to 0.15%.

Home loan 90+ day arrears decreased by 6 basis points from 0.65% to 0.59%, driven by a combination of repayment deferrals, Government support initiatives and decreases in the cash rate.

Consumer finance 90+ day arrears decreased by 9 basis points from 1.05% to 0.96% driven by an improvement in customer origination quality and Government support initiatives.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $20.8 billion or 5%, above system [1] growth of 4%. Proprietary mix for CBA branded home loans decreased from 58% to 56% due to strong broker flows, with higher new business application volumes and continued focus on credit decisioning turn-around times;
- Consumer finance decrease of $2.6 billion or 18%, broadly in line with system [1]. The decrease in balances was driven by lower consumer demand for unsecured lending, lower spend due to COVID-19, and increased customer repayments following fiscal and regulatory income support measures; and
- Total deposits growth of $26.6 billion or 10% (interest and non-interest bearing), above system [1] growth. Growth was driven by transaction deposits (up 30% including non-interest bearing balances) primarily in existing customer balances and mortgage offset accounts. Savings deposits increased by 16%, partly offset by a decline in investment deposits (down 14%), reflecting increased liquidity in the economy and higher demand for at-call deposits in the low-rate environment.

Risk Weighted Assets

Risk weighted assets were $165.0 billion, a decrease of $2.1 billion or 1% on the prior comparative period.

- Credit risk weighted assets decreased $1.3 billion or 1% driven by a reduction in consumer finance volumes and improved credit quality, partly offset by home loan volume growth; and
- Operational risk weighted assets decreased $5.2 billion or 18%, mainly driven by the 50% reduction in APRA's operational risk regulatory capital add-on [2]; partly offset by
- IRRBB risk weighted assets increased $4.4 billion, mainly due to the increased size of the replicating portfolio from growth in cash rate linked deposits and changes in interest rate risk management positions.

General Insurance and Mortgage Broking

Net profit after tax ("statutory basis") was $35 million, an increase of $34 million on the prior comparative period. This result was driven by lower claims experience net of reinsurance recoveries in the General Insurance business, mainly due to the absence of bushfire related claims in the current half.

Half Year Ended December 2020 versus June 2020

Net profit after tax ("statutory basis") increased $322 million or 18% on the prior half. The result was driven by flat operating income, flat operating expenses and a 60% decrease in loan impairment expense.

Net Interest Income

Net interest income increased by $88 million or 2% on the prior half. This was driven by the benefit of two additional calendar days in the current half, a 1% increase in average interest earning assets due to strong growth in home loans, partly offset by a 1% decrease in net interest margin.

Net interest margin decreased 2 basis points on the prior half, reflecting:

- Lower deposit margins due to reduced earnings on transaction and savings deposits reflecting decreases in the cash rate (down 2 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 4 basis points);
- Lower home lending margins (down 1 basis point) due to unfavourable home loan portfolio mix (down 6 basis points) with a shift to lower margin loans (interest only to principal and interest, and variable to fixed) and increased competition (down 4 basis points), partly offset by repricing (up 9 basis points);
- Lower consumer finance margins due to a reduction in the proportion of credit card balances earning interest (down 1 basis point); and

1 System Source RBA/APRA/RBNZ.

2 Refer to Note 7.2 for further information to the Financial Statements included in this Document for further information.

Retail Banking Services (continued)

Financial Performance and Business Review (continued)

- Unfavourable portfolio mix (down 1 basis point) driven by a reduction in higher margin consumer finance balances, more than offsetting the mix benefit from customers switching to at-call deposits from investment deposits; partly offset by
- Lower wholesale funding costs primarily due to a decrease in the spread between the three month bank bill swap rate and the three month overnight index swap rate (basis risk) notwithstanding the reduced exposure to basis risk due to strong growth in cash rate linked deposits and a mix shift towards fixed rate home loans (up 7 basis points).

Other Banking Income

Other banking income decreased $76 million or 11% on the prior half, reflecting:

- Lower foreign exchange income from international travel restrictions due to COVID-19;
- Lower deposit income due to reduced volume based transaction fees; and
- Lower AIA partnership payments driven by one additional milestone occurring in the prior half; partly offset by
- Higher credit card interchange income from increased domestic spend due to seasonality and recovery of customer spend in the current half.

Funds Management Income

Funds Management income was down $1 million or 6% on the prior half. This was driven by the wind-down of the Aligned Advice businesses.

Operating Expenses

Operating expenses increased $8 million or flat on the prior half. This was driven by increased financial assistance and home loan processing volumes, higher investment spend, and inflation, partly offset by productivity initiatives including workforce and branch optimisation, and lower credit card loyalty redemptions.

The number of FTE decreased by 266 or 2% on the prior half, from 14,184 to 13,918 FTE, driven by frontline optimisation, partly offset by increased financial assistance and risk resourcing.

The operating expenses to total operating income ratio ("statutory basis") was 41.0%, an increase of 30 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense decreased $460 million or 60% on the prior half. The result was driven by higher collective provision charges recognised in the prior half, mainly due to the impact of COVID-19, lower consumer finance balances and reduced arrears.

Loan impairment expense as a percentage of average gross loans and acceptances decreased by 22 basis points on the prior half to 0.15%.

Home loan 90+ day arrears decreased by 4 basis points from 0.63% to 0.59%, driven by a combination of repayment deferrals, Government support initiatives and decreases in the cash rate.

Consumer finance 90+ day arrears decreased by 38 basis points from 1.34% to 0.96% driven by an improvement in customer origination quality and Government support initiatives.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $12.8 billion or 3%, above system [1] growth of 2%. Proprietary mix for CBA branded home loans decreased from 58% to 56% due to strong broker flows, with higher new business application volumes, and continued focus on credit decisioning turn-around times;
- Consumer finance decrease of $0.5 billion or 4%, broadly in line with system [1]. The decrease in balances was driven by lower consumer demand for unsecured lending, and increased customer repayments following fiscal and regulatory income support measures; and
- Total deposit growth of $15.0 billion or 5% (interest and non-interest bearing), in line with system [1] growth. Growth was driven by transaction deposits (up 16% including non-interest bearing balances) primarily in existing customer balances and mortgage offset accounts. Savings deposits increased by 8%, partly offset by a decline in investment deposits (down 9%) reflecting increased liquidity in the economy and higher demand for at-call deposits in the low-rate environment.

Risk Weighted Assets

Risk weighted assets decreased $2.2 billion or 1% on the prior half.

- Operational risk weighted assets decreased $4.3 billion or 15%, mainly driven by the 50% reduction in APRA's operational risk regulatory capital add-on [2]; partly offset by
- Credit risk weighted assets increased by $0.8 billion or 1% primarily driven by home loan volume growth, partly offset by improved credit quality and a reduction in consumer finance volumes; and
- IRRBB risk weighted assets increased $1.3 billion or 20%, mainly due to the increased size of the replicating portfolio from growth in cash rate linked deposits and changes in interest rate risk management positions.

General Insurance and Mortgage Broking

Net profit after tax ("statutory basis") decreased $11 million on the prior half. This result was driven by higher claims experience net of reinsurance recoveries in the General Insurance business mainly due to the October 2020 Queensland hail storms.

1 System Source RBA/APRA/RBNZ.
2 Refer to Note 7.2 for further information to the Financial Statements included in this Document for further information.

Business Banking

Overview

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

From July 2020, Commonwealth Private was transferred out of the Business Banking division and consolidated into the Retail Banking Services division. Refer to Appendix 4.9 for further information.

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. As AUSIEX does not constitute a major line of the Group's business, the financial results of AUSIEX are treated as continuing operations and included in the account lines of Business Banking performance.

	Half Year Ended [1]				
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Net interest income	**2,603**	2,579	2,712	1	(4)
Other banking income	**831**	759	730	9	14
Total banking income	**3,434**	3,338	3,442	3	–
Operating expenses	**(1,242)**	(1,245)	(1,213)	–	2
Loan impairment expense	**(286)**	(550)	(234)	(48)	22
Net profit before tax	**1,906**	1,543	1,995	24	(4)
Corporate tax expense	**(571)**	(464)	(600)	23	(5)
Net profit after tax ("cash basis")	**1,335**	1,079	1,395	24	(4)
(Loss)/ Gain on acquisition, disposal, closure and demerger of businesses	**(14)**	(17)	1	(18)	large
Net profit after tax ("statutory basis")	**1,321**	1,062	1,396	24	(5)
Income analysis					
Net interest income					
Small Business Banking	**1,199**	1,207	1,252	(1)	(4)
Commercial Banking	**717**	706	761	2	(6)
Regional and Agribusiness	**383**	372	402	3	(5)
Major Client Group [2]	**206**	191	197	8	5
CommSec	**98**	103	100	(5)	(2)
Total net interest income	**2,603**	2,579	2,712	1	(4)
Other banking income					
Small Business Banking	**229**	198	236	16	(3)
Commercial Banking	**157**	152	175	3	(10)
Regional and Agribusiness	**66**	63	65	5	2
Major Client Group [2]	**123**	111	120	11	3
CommSec	**256**	235	134	9	91
Total other banking income	**831**	759	730	9	14
Total banking income	**3,434**	3,338	3,442	3	–
Income by product					
Business products	**2,007**	1,928	2,122	4	(5)
Retail products	**1,128**	1,134	1,142	(1)	(1)
Equities and Margin Lending	**299**	276	178	8	68
Total banking income	**3,434**	3,338	3,442	3	–

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

2 From July 2020, Business Banking re-segmented the business resulting in a new standalone segment Major Client Group, which provides specialised, dedicated support and service to the largest customers within Business Banking. Refer to Appendix 4.9 to this Document for further details.

Divisional Performance (continued)

Business Banking (continued)

Balance Sheet	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
	As at [1]				
Home loans [2]	**84,592**	84,752	84,675	–	–
Business loans [3]	**96,110**	92,249	90,015	4	7
Margin loans	**2,252**	2,322	2,492	(3)	(10)
Consumer finance	**1,763**	1,916	2,316	(8)	(24)
Total interest earning assets	**184,717**	181,239	179,498	2	3
Non-lending interest earning assets [4]	**141**	133	62	6	large
Other assets [4]	**753**	1,275	1,246	(41)	(40)
Total assets	**185,611**	182,647	180,806	2	3
Transaction deposits [3,5]	**38,600**	34,439	31,003	12	25
Savings deposits [5]	**67,635**	60,554	51,431	12	32
Investment deposits and other	**32,894**	30,988	36,044	6	(9)
Total interest bearing deposits	**139,129**	125,981	118,478	10	17
Debt issues and other interest bearing liabilities	**3**	25	30	(88)	(90)
Non-interest bearing transaction deposits	**42,492**	33,198	26,540	28	60
Other non-interest bearing liabilities [6]	**1,378**	1,752	1,379	(21)	–
Total liabilities	**183,002**	160,956	146,427	14	25

Key Financial Metrics	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
	Half Year Ended [1]				
Performance indicators					
Net interest margin (%)	**3. 02**	3. 04	3. 16	(2)bpts	(14)bpts
Statutory return on assets (%)	**1. 4**	1. 2	1. 5	20 bpts	(10)bpts
Statutory operating expenses to total banking income (%)	**36. 8**	38. 0	35. 2	(120)bpts	160 bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 31**	0. 62	0. 26	(31)bpts	5 bpts
Other information					
Average interest earning assets ($M) [7]	**171,123**	170,381	170,671	–	–
Risk weighted assets ($M)	**137,962**	136,288	131,381	1	5
Troublesome and impaired assets ($M) [8]	**4,640**	4,677	4,398	(1)	6
Troublesome and impaired assets as a % of total committed expenses	**3. 63**	3. 89	3. 78	(26)bpts	(15)bpts
Number of full-time equivalent staff (FTE)	**4,640**	4,410	4,239	5	9

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
2 Home loans are presented gross of $11,257 million of mortgage offset balances (30 June 2020: $9,260 million; 31 December 2019: $9,362 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.
3 Business loans include $244 million of Cash Management Pooling Facilities (CMPF) (30 June 2020: $243 million; 31 December 2019: $359 million). Transaction Deposits include $1,258 million of CMPF liabilities (30 June 2020: $1,220 million; 31 December 2019: $763 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments and risk weighted assets.
4 On 28 April 2020, CBA announced that it has entered into an agreement to sell AUSIEX to Nomura Research Institute. The assets related to the AUSIEX business have been reclassified as assets held for sale, of which, $71 million are included within Other assets (30 June 2020: $226m; 31 December 2019: Nil) and $64 million are included within Non-lending interest earning assets (30 June 2020: $23m; 31 December 2019: Nil). Refer to Note 7.3 for further information.
5 Transaction and Savings deposits include $11,257 million of mortgage offset balances (30 June 2020: $9,260 million; 31 December 2019: $9,362 million).
6 Includes $93 million of liabilities related to the AUSIEX business that are classified as liabilities held for sale (30 June 2020: $188 million; 31 December 2019: Nil).
7 Average interest earning assets are presented net of mortgage offset balances, which reduce customer interest payments. Average interest earning assets are also used in the calculation of divisional net interest margin.
8 Commercial troublesome and impaired assets only. Includes commercial and leasing products.

Business Banking (continued)

Financial Performance and Business Review

Half Year Ended December 2020 versus December 2019

Business Banking Net profit after tax ("statutory basis") for the half year ended 31 December 2020 was $1,321 million, a decrease of $75 million or 5% on the prior comparative period. The result was driven by flat total banking income, a 2% increase in operating expenses and a 22% increase in loan impairment expense.

Net Interest Income

Net interest income was $2,603 million, a decrease of $109 million or 4% on the prior comparative period. This was driven by a 4% decline in net interest margin and flat average interest earning assets.

Net interest margin decreased 14 basis points on the prior comparative period, reflecting:

- Lower deposit margins due to reduced earnings on transaction and savings deposits reflecting decreases in the cash rate (down 22 basis points);
- Lower business lending margins reflecting a 125 basis points reduction in loans linked to the cash rate to support our customers in response to COVID-19 (down 8 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 6 basis points); and
- Lower consumer finance margins due to a reduction in the proportion of credit card balances earning interest (down 1 basis point); partly offset by
- Favourable portfolio mix (up 21 basis points) driven by strong growth in transaction and savings deposits, partly offset by a decline in higher margin consumer finance balances; and
- Higher home lending margins reflecting repricing, partly offset by increased competition (up 2 basis points).

Other Banking Income

Other banking income was $831 million, an increase of $101 million or 14% on the prior comparative period, reflecting:

- Higher equities income from increased trading volumes and an increase in active customer numbers; partly offset by
- Lower credit card and foreign exchange income mainly driven by a decline in transaction volumes due to COVID-19.

Operating Expenses

Operating expenses were $1,242 million, an increase of $29 million or 2% on the prior comparative period. This was primarily driven by continued investment in business banking product offerings and distribution capabilities, partly offset by productivity initiatives.

The number of FTE increased by 401 or 9% on the prior comparative period, from 4,239 to 4,640 FTE, primarily driven by investment in frontline business bankers, CommSec call centre resources and remediation staff, partly offset by productivity initiatives.

Investment spend was primarily focused on further enhancing the customer experience with investment in digitisation and automation, improving the end-to-end processes for key products, and simplifying the product offering for business customers, as well as investment in regulatory, risk and compliance initiatives.

The operating expense to total banking income ratio ("statutory basis") was 36.8%, an increase of 160 basis points on the prior comparative period, mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was $286 million, an increase of $52 million or 22% on the prior comparative period. This was driven by higher collective provisions due to increased forward looking adjustments reflecting uncertainty in the economic outlook and emerging industry sector risks, mainly due to the impact of COVID-19 (in particular Accommodation, Cafes and Restaurants, and Commercial Property). The increase was also driven by portfolio growth, and higher individual provisions driven by a small number of large exposures.

Loan impairment expense as a percentage of average gross loans and acceptances increased 5 basis points on the prior comparative period to 0.31%.

Troublesome and impaired assets (TIA) increased 6% on the prior comparative period, mainly due to lending volume growth. TIA as a percentage of total committed exposure (TCE) decreased 15 basis points to 3.63%, due to the improved asset quality of the portfolio driven by a combination of high quality volume growth from selective tightening of origination criteria in certain industries, and active management of troublesome and impaired assets primarily across the Agriculture, Business Services and Manufacturing industries.

Balance Sheet

Key spot balance sheet movements included:

- Business loan growth of $6.1 billion or 7%, above system [1], reflecting growth primarily across the Property Investment, Agriculture and Health industries, while continuing to support Australian businesses with over 12,100 loans funded under the Government's SME Guarantee Scheme;
- Home loan decrease of $0.1 billion or flat on the prior comparative period, below system [1] growth of 4%, driven by lower investor home lending, partly offset by growth in owner occupied; and
- Total deposits growth (interest and non-interest bearing) of $36.6 billion or 25%, above system [1] growth of 19%. Growth was driven by higher transaction (up 41%) and savings (up 32%) balances, partly offset by a decrease in investment deposits (down 9%), reflecting increased liquidity in the economy and higher demand for at-call deposits in the low-rate environment.

Risk Weighted Assets

Risk weighted assets were $138.0 billion, an increase of $6.6 billion or 5% on the prior comparative period.

- Credit risk weighted assets increased $5.5 billion or 5% driven by lending volume growth, partly offset by credit quality; and
- IRRBB risk weighted assets increased $3.0 billion, mainly due to the increased size of the replicating portfolio from growth in cash rate linked deposits and changes in interest rate risk management positions; partly offset by

1 System Source RBA/APRA/RBNZ.

Business Banking (continued)

Financial Performance and Business Review (continued)

- Operational risk weighted assets decreased $1.9 billion or 12%, mainly driven by the 50% reduction in APRA's operational risk regulatory capital add-on [1].

Half Year Ended December 2020 versus June 2020

Net profit after tax ("statutory basis") increased $259 million or 24% on the prior half. The result was driven by a 3% increase in total banking income, flat operating expenses and a 48% decrease in loan impairment expense.

Net Interest Income

Net interest income increased $24 million or 1% on the prior half. This was driven by the benefit of two additional calendar days in the current half, partly offset by a 1% decline in net interest margin. Average interest earning assets were flat compared to the prior half.

Net interest margin decreased 2 basis points, reflecting:

- Lower deposit margins due to reduced earnings on transaction and savings balances reflecting decreases in the cash rate (down 7 basis points);
- Lower home lending margins due to increased competition and shift towards lower margin loans, partly offset by repricing (down 2 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 2 basis points);
- Lower consumer finance margins due to a reduction in the proportion of credit card balances earning interest (down 1 basis point); and
- Lower business lending margins reflecting a 125 basis points reduction in loans linked to the cash rate to support our customers in response to COVID-19 (down 2 basis points); partly offset by
- Favourable portfolio mix (up 12 basis points) driven by strong growth in transaction and savings deposits, partly offset by a decline in higher margin consumer finance balances.

Other Banking Income

Other banking income increased $72 million or 9% on the prior half, driven by:

- Higher merchants income mainly due to the non-recurrence of COVID-19 fee waivers in the prior half and improved volumes;
- Higher equities income from increased trading volumes and an increase in active customer numbers; and
- Higher business lending fee income reflecting volume growth.

Operating Expenses

Operating expenses decreased $3 million or flat on the prior half. This was primarily driven by continued investment in business banking product offerings and distribution capabilities, offset by productivity initiatives and lower IT expenses.

The number of FTE increased by 230 or 5% on the prior half, from 4,410 to 4,640 FTE, primarily driven by investment in frontline business bankers and remediation staff, partly offset by productivity initiatives.

The operating expense to total banking income ratio ("statutory basis") was 36.8%, a decrease of 120 basis points on the prior half due to higher banking income.

Loan Impairment Expense

Loan impairment expense decreased $264 million or 48% on the prior half. This was driven by higher collective provision charges recognised in the prior half, mainly due to the impact of COVID-19.

Loan impairment expense as a percentage of average GLAAs decreased 31 basis points on the prior half to 0.31%.

Troublesome and impaired assets decreased 1% on the prior half. TIA as a percentage of total committed exposure decreased 26 basis points to 3.63%, driven by business lending volume growth. Asset quality of the portfolio improved due to a combination of high quality volume growth from selective tightening of origination criteria in certain industries, and active management of troublesome and impaired assets primarily across the Agriculture, Business Services and Manufacturing industries.

Balance Sheet

Key spot balance sheet movements included:

- Business loan growth of $3.9 billion or 4%, above system [2], reflecting growth primarily across the Property Investment, Health and Transport industries, while continuing to support Australian businesses with 4,800 additional loans funded under the Government's SME Guarantee Scheme compared to the prior half;
- Home loan decrease of $0.2 billion or flat, below system [2] growth of 2%, driven by lower investor home lending, partly offset by growth in owner occupied; and
- Total deposits growth (interest and non-interest bearing) of $22.4 billion or 14%, above system [2] growth of 6%. Growth was driven by higher transaction (up 20%), savings (up 12%) and investment deposits (up 6%), reflecting increased liquidity in the economy and higher demand for at-call deposits in the low-rate environment.

Risk Weighted Assets

Risk weighted assets increased $1.7 billion or 1% on the prior half.

- Credit risk weighted assets increased $2.2 billion or 2% driven by lending volume growth, partly offset by improved credit quality and methodology changes; and
- IRRBB risk weighted assets increased $1.0 billion or 22%, mainly due to the increased size of the replicating portfolio from growth in cash rate linked deposits and changes in interest rate risk management positions; partly offset by
- Operational risk weighted assets decreased $1.5 billion or 10%, mainly driven by the 50% reduction in APRA's operational risk regulatory capital add-on [1].

1 Refer to Note 7.2 to the Financial Statements included in this Document for further information.

2 System Source RBA/APRA/RBNZ.

Divisional Performance (continued)

Institutional Banking and Markets

Overview

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

	Half Year Ended [1]				
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Net interest income	**691**	707	676	(2)	2
Other banking income	**546**	371	522	47	5
Total banking income	**1,237**	1,078	1,198	15	3
Operating expenses	**(485)**	(527)	(494)	(8)	(2)
Loan impairment expense	**(177)**	(286)	(67)	(38)	large
Net profit before tax	**575**	265	637	large	(10)
Corporate tax expense	**(152)**	(97)	(172)	57	(12)
Net profit after tax ("statutory basis")	**423**	168	465	large	(9)
Income analysis					
Net interest income					
Institutional Banking	**512**	547	588	(6)	(13)
Markets	**179**	160	88	12	large
Total net interest income	**691**	707	676	(2)	2
Other banking income					
Institutional Banking	**188**	127	234	48	(20)
Markets	**358**	244	288	47	24
Total other banking income	**546**	371	522	47	5
Total banking income	**1,237**	1,078	1,198	15	3
Income by product					
Institutional products	**683**	717	714	(5)	(4)
Asset leasing	**17**	(43)	108	large	(84)
Markets (excluding derivative valuation adjustments)	**540**	440	397	23	36
Total banking income excluding derivative valuation adjustments	**1,240**	1,114	1,219	11	2
Derivative valuation adjustments [2]	**(3)**	(36)	(21)	(92)	(86)
Total banking income	**1,237**	1,078	1,198	15	3

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
2 Derivative valuation adjustments include both net interest income and other banking income adjustments.

Divisional Performance (continued)

Institutional Banking and Markets (continued)

Balance Sheet	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
	As at [1]				
Interest earning lending assets [2]	**88,075**	94,739	93,746	(7)	(6)
Non-lending interest earning assets	**52,638**	48,014	45,727	10	15
Other assets [3]	**34,011**	28,815	21,157	18	61
Total assets	**174,724**	171,568	160,630	2	9
Transaction deposits [2]	**75,961**	63,520	53,655	20	42
Savings deposits	**13,328**	21,741	7,699	(39)	73
Investment deposits	**34,524**	38,724	49,458	(11)	(30)
Certificates of deposit and other	**22,250**	23,227	17,640	(4)	26
Total interest bearing deposits	**146,063**	147,212	128,452	(1)	14
Due to other financial institutions	**6,774**	9,618	14,684	(30)	(54)
Debt issues and other [4]	**3,043**	3,868	4,172	(21)	(27)
Non-interest bearing liabilities [3]	**25,620**	25,209	17,395	2	47
Total liabilities	**181,500**	185,907	164,703	(2)	10

Key Financial Metrics	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
	Half Year Ended [1]				
Performance indicators					
Net interest margin (%)	**0. 95**	0. 99	0. 98	(4)bpts	(3)bpts
Statutory return on assets (%)	**0. 5**	0. 2	0. 6	30 bpts	(10)bpts
Statutory operating expenses to total banking income (%)	**39. 2**	48. 9	41. 2	large	(200)bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 38**	0. 58	0. 14	(20)bpts	24 bpts
Other information					
Average interest earning assets ($M)	**144,716**	144,109	137,024	–	6
Risk weighted assets ($M)	**88,253**	93,325	84,413	(5)	5
Troublesome and impaired assets ($M)	**1,175**	1,346	670	(13)	75
Total committed exposures rated investment grade (%)	**86. 7**	86. 5	88. 3	20 bpts	(160)bpts
Number of full-time equivalent staff (FTE)	**1,174**	1,169	1,153	–	2

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

2 Interest earning lending assets include $22,886 million of Cash Management Pooling Facilities (CMPF) (30 June 2020: $24,868 million; 31 December 2019: $23,852 million). Transaction deposits include $41,098 million of CMPF liabilities (30 June 2020: $34,287 million; 31 December 2019: $30,872 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments and risk weighted assets.

3 Other assets include intangible assets and derivative assets. Non-interest bearing liabilities include derivative liabilities.

4 Debt issues and other includes bank acceptances and liabilities at fair value.

Institutional Banking and Markets (continued)

Financial Performance and Business Review

Half Year Ended December 2020 versus December 2019

Institutional Banking and Markets Net profit after tax ("statutory basis") for the half year ended 31 December 2020 was $423 million, a decrease of $42 million or 9% on the prior comparative period. The result was driven by a 3% increase in total banking income, a 2% decrease in operating expenses and a $110 million increase in loan impairment expense.

Net Interest Income

Net interest income was $691 million, an increase of $15 million or 2% on the prior comparative period. The result was driven by a 6% increase in average interest earning assets due to growth in non-lending interest earning assets, partly offset by a 3% decrease in net interest margin.

Net interest margin decreased 3 basis points, reflecting:

- Lower earnings on equity due to the falling interest rate environment (down 6 basis points);
- Unfavourable portfolio mix impact from growth in lower margin non-lending interest earning assets (down 4 basis points);
- Reduced deposit revenue reflecting decreases in the cash rate (down 4 basis points); partly offset by
- Higher Global Markets net interest income due to wider bond spreads (offset in other banking income) from a fall in short-end AUD interest rates and an increase in commodities margins (up 11 basis points).

Other Banking Income

Other banking income was $546 million, an increase of $24 million or 5% on the prior comparative period, reflecting:

- Higher Commodities income from precious metal inventory financing and higher Global Markets trading income driven by gains in the Fixed Income and Rates portfolios; and
- Higher Institutional lending commitment and line fees due to lower utilisation from reduced client financing activities as a result of COVID-19; partly offset by
- The impairment of aircraft which are owned by the Group and leased to various airlines in the Structured Asset Finance portfolio; and
- Lower Global Markets sales performance driven by reduced client demand for hedging activities mainly due to lower volatility in the low-rate environment.

Operating Expenses

Operating expenses were $485 million, a decrease of $9 million or 2% on the prior comparative period. This was driven by productivity initiatives and lower business travel expenses due to COVID-19, partly offset by higher investment spend.

The number of FTE increased by 21 or 2% on the prior comparative period, from 1,153 to 1,174 FTE. The increase was driven by higher risk and compliance staff, partly offset by productivity initiatives.

Investment spend focused on further strengthening the operational risk and compliance framework, upgrading system infrastructure and responding to new regulatory requirements.

The operating expenses to total banking income ratio ("statutory basis") was 39.2%, a decrease of 200 basis points on the prior comparative period, mainly driven by higher total banking income.

Loan Impairment Expense

Loan impairment expense was $177 million, an increase of $110 million on the prior comparative period. This was driven by higher collective provisions mainly due to increased forward looking adjustments reflecting uncertainty in the economic outlook and emerging industry sector risks, in particular Aviation, mainly due to COVID-19, partly offset by lower individual provisions.

Loan impairment expense as a percentage of average GLAAs increased 24 basis points on the prior comparative period to 0.38%.

Asset quality of the portfolio deteriorated, with the percentage of the book rated as investment grade decreasing by 160 basis points to 86.7% mainly driven by downgrades of exposures, in particular within the Aviation and Entertainment, Leisure and Tourism industries.

Balance Sheet

Key spot balance sheet movements included:

- Lending balance decrease of $5.7 billion or 6%, primarily driven by lower institutional lending due to a continued focus on risk adjusted returns in a highly liquid capital market, and a decrease in pooled facilities;
- Non-lending interest earning assets growth of $6.9 billion or 15%, driven by higher Government securities from increased bond issuances, higher sale and repurchase agreements and higher commodities financing balances in the Global Markets business;
- Other assets and non-interest bearing liabilities growth of $12.9 billion or 61% and $8.2 billion or 47% respectively, mainly driven by higher precious metals inventory balances in Other assets and the revaluation of derivative assets and derivative liabilities due to foreign currency and interest rate volatility. Derivative assets and derivative liabilities are required to be grossed up under accounting standards;
- Total interest bearing deposits growth of $17.6 billion or 14% ($27.9 billion from at-call deposits), reflecting increased liquidity in the economy and customer preference for at-call deposits in the low-rate environment; and
- Liabilities due to other financial institutions decrease of $7.9 billion or 54%, due to lower central bank deposits reflecting reduced demand for short-term funding.

Risk Weighted Assets

Risk weighted assets were $88.3 billion, an increase of $3.8 billion or 5% on the prior comparative period.

- Traded market risk weighted assets increased $5.8 billion; and
- IRRBB risk weighted assets increased $1.7 billion, mainly due to changes in interest rate risk management positions; partly offset by
- Operational risk weighted assets decreased by $2.0 billion or 24%, mainly driven by the 50% reduction in APRA's operational risk regulatory capital add-on [1]; and

1 Refer to Note 7.2 for further information.

Institutional Banking and Markets (continued)

Financial Performance and Business Review (continued)

- Credit risk weighted assets decreased $1.7 billion or 2%, primarily driven by FX movements.

Half Year Ended December 2020 versus June 2020

Net profit after tax ("statutory basis") increased $255 million on the prior half. The result was driven by a 15% increase in total banking income, an 8% decrease in operating expenses, and a 38% decrease in loan impairment expense.

Net Interest Income

Net interest income decreased $16 million or 2% on the prior half. The result was driven by a 4% decrease in net interest margin, partly offset by the impact of two additional calendar days in the current half. Average interest earning assets were flat on the prior half.

Net interest margin decreased 4 basis points, reflecting:

- Unfavourable portfolio mix impact from growth in lower margin non-lending interest earning assets (down 4 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 2 basis points); and
- Reduced deposits revenue mainly driven by decreases in the cash rate (down 2 basis points); partly offset by
- Higher Structured Asset Finance revenue driven by the non-recurrence of a reduction in the estimated residual value of shipping vessels under finance leases in the prior half (up 2 basis points); and
- Higher Global Markets net interest income due to wider bond spreads (offset in other banking income) from a fall in short-end AUD interest rates (up 2 basis points).

Other Banking Income

Other banking income increased of $175 million or 47% on the prior half, reflecting:

- Higher Commodities income from precious metal inventory financing and higher Global Markets trading income driven by gains in the Fixed Income and Rates portfolios;
- Higher Structured Asset Finance revenue due to lower impairment of aircraft which are owned by the Group and leased to various airlines in the current half;
- Favourable derivative valuation adjustments; and
- Higher Institutional lending commitment and line fees due to lower utilisation from reduced financing activities as a result of COVID-19; partly offset by
- Lower Global Markets sales performance driven by reduced client demand for hedging activities due to lower volatility in the low-rate environment.

Operating Expenses

Operating expenses decreased $42 million or 8% on the prior half. This was primarily driven by favourable FX movements, lower IT expenses, productivity initiatives, and lower investment spend.

The number of FTE increased by 5 on the prior half, from 1,169 to 1,174 FTE.

The operating expenses to total banking income ratio ("statutory basis") was 39.2%, a decrease from 48.9% in the prior half, driven by higher total banking income and lower operating expenses.

Loan Impairment Expense

Loan impairment expense decreased $109 million or 38% on the prior half. This was driven by higher collective and individually assessed provision charges recognised in the prior half, mainly due to the impact of COVID-19, partly offset by an increase in forward looking adjustments for the Aviation sector in the current half.

Loan impairment expense as a percentage of average GLAAs decreased 20 basis points on the prior half to 0.38%.

Asset quality of the portfolio improved, with the percentage of the book rated as investment grade increasing by 20 basis points to 86.7% mainly due to increased exposures in the Finance & Insurance sector, partly offset by downgrades in the Aviation and Entertainment, Leisure and Tourism industries mainly due to COVID-19.

Balance Sheet

Key spot balance sheet movements included:

- Lending balance decrease of $6.7 billion or 7%, primarily driven by lower institutional lending due to a continued focus on risk adjusted returns in a highly liquid capital market, and a decrease in pooled facilities;
- Non-lending interest earning assets growth of $4.6 billion or 10%, driven by higher sale and repurchase agreements and higher commodities financing balances in the Global Markets business;
- Other assets and Non-interest bearing liabilities growth of $5.2 billion or 18% and $0.4 billion or 2% respectively, mainly driven by higher precious metals inventory balances in Other assets, and the revaluation of derivative liabilities due to foreign currency and interest rate volatility;
- Total interest bearing deposits decrease of $1.1 billion or 1%, reflecting reduction in savings and term deposits, partly offset by an increase in transaction deposits; and
- Liabilities due to other financial institutions decrease of $2.8 billion or 30%, from lower central bank deposits reflecting reduced demand for short-term funding.

Risk Weighted Assets

Risk weighted assets decreased $5.1 billion or 5% on the prior half.

- Credit risk weighted assets decreased $2.1 billion or 3%;
- Operational risk weighted assets decreased by $1.9 billion or 23%, mainly driven by the 50% reduction in APRA's operational risk regulatory capital add-on [1]; and
- Traded market risk weighted assets decreased by $1.5 billion or 14%; partly offset by
- IRRBB risk weighted assets increased $0.4 billion or 24%, mainly due to changes in interest rate risk management positions.

1 Refer to Note 7.2 for further information.

New Zealand

Overview

New Zealand primarily includes the banking and funds management businesses operating 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.

ASB serves the financial needs of its customers across multiple channels including an extensive network of branches, ATMs, contact centres, digital platforms and relationship managers.

On 2 December 2019, ASB completed the sale of its fund administration businesses Aegis Limited and Investment Custodial Services Limited (collectively known as “Aegis”). As Aegis does not itself constitute a major line of the Group’s business, the financial results of Aegis are treated as continuing operations and included in the account lines of New Zealand’s performance.

	Half Year Ended [1]				
New Zealand (A$M)	**31 Dec 20 A$M**	30 Jun 20 A$M	31 Dec 19 A$M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Net interest income	**999**	970	964	3	4
Other banking income [2]	**200**	176	199	14	1
Total banking income	**1,199**	1,146	1,163	5	3
Funds management income	**68**	65	71	5	(4)
Total operating income	**1,267**	1,211	1,234	5	3
Operating expenses	**(486)**	(541)	(480)	(10)	1
Loan impairment expense	**(27)**	(271)	(21)	(90)	29
Net profit before tax	**754**	399	733	89	3
Corporate tax expense	**(212)**	(111)	(204)	91	4
Net profit after tax ("cash basis")	**542**	288	529	88	2
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	**–**	(1)	9	large	large
Hedging and IFRS volatility (after tax)	**(52)**	159	(33)	large	58
Net profit after tax ("statutory basis")	**490**	446	505	10	(3)

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
2 Other banking income disclosed in AUD includes realised gains or losses associated with the hedging of New Zealand operations earnings.

Divisional Performance (continued)

New Zealand (continued)

New Zealand (NZ$M)	31 Dec 20 NZ$M	30 Jun 20 NZ$M	31 Dec 19 NZ$M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
	Half Year Ended [1]				
Net interest income	**1,071**	1,014	1,032	6	4
Other banking income	**224**	213	247	5	(9)
Total banking income	**1,295**	1,227	1,279	6	1
Funds management income	**73**	67	76	9	(4)
Total operating income	**1,368**	1,294	1,355	6	1
Operating expenses	**(521)**	(570)	(508)	(9)	3
Loan impairment expense	**(30)**	(284)	(22)	(89)	36
Net profit before tax	**817**	440	825	86	(1)
Corporate tax expense	**(230)**	(122)	(232)	89	(1)
Net profit after tax ("cash basis")	**587**	318	593	85	(1)
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	**–**	(1)	(28)	large	large
Hedging and IFRS volatility (after tax)	**3**	(4)	1	large	large
Net profit after tax ("statutory basis")	**590**	313	566	88	4
Represented by:					
ASB	**617**	348	593	77	4
Other [2]	**(27)**	(35)	(27)	(23)	–
Net profit after tax ("statutory basis")	**590**	313	566	88	4

Key Financial Metrics [3]	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
	Half Year Ended [1]				
Performance indicator					
Statutory operating expenses to total operating income (%)	**38. 0**	44. 3	39. 5	large	(150)bpts

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
2 Other includes ASB funding entities and elimination entries between New Zealand segment entities.
3 Key financial metrics are calculated in New Zealand dollar terms.

Financial Performance and Business Review

Half Year Ended December 2020 versus December 2019

New Zealand Net profit after tax [1] ("statutory basis") for the half year ended 31 December 2020 was NZD590 million, an increase of NZD24 million or 4% on the prior comparative period. The result was driven by a 1% increase in total operating income, a 3% increase in operating expenses and a 36% increase in loan impairment expense.

Half Year Ended December 2020 versus June 2020

New Zealand Net profit after tax [1] ("statutory basis") for the half year ended 31 December 2020 increased NZD277 million or 88% on the prior half. The result was driven by a 6% increase in total operating income, a 9% decrease in operating expenses and an 89% decrease in loan impairment expense.

1 The New Zealand result incorporates ASB and allocated CBA capital charges and costs. The CBA Branch results relating to the Institutional Banking and Markets business in New Zealand are not included.

Divisional Performance (continued)

New Zealand (continued)

ASB (NZ$M)	Half Year Ended [1] 31 Dec 20 NZ$M	30 Jun 20 NZ$M	31 Dec 19 NZ$M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Net interest income	**1,107**	1,062	1,068	4	4
Other banking income	**224**	213	247	5	(9)
Total banking income	**1,331**	1,275	1,315	4	1
Funds management income	**73**	67	76	9	(4)
Total operating income	**1,404**	1,342	1,391	5	1
Operating expenses	**(521)**	(570)	(508)	(9)	3
Loan impairment expense	**(30)**	(284)	(22)	(89)	36
Net profit before tax	**853**	488	861	75	(1)
Corporate tax expense	**(239)**	(135)	(241)	77	(1)
Net profit after tax ("cash basis")	**614**	353	620	74	(1)
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	**–**	(1)	(28)	large	large
Hedging and IFRS volatility (after tax)	**3**	(4)	1	large	large
Net profit after tax ("statutory basis")	**617**	348	593	77	4

Balance Sheet (NZ$M)	As at [1] 31 Dec 20 NZ$M	30 Jun 20 NZ$M	31 Dec 19 NZ$M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Home loans	**64,453**	60,336	58,870	7	9
Business lending	**18,132**	17,680	17,601	3	3
Rural lending	**11,013**	10,900	11,010	1	–
Other interest earning assets	**1,875**	1,895	2,209	(1)	(15)
Total lending interest earning assets	**95,473**	90,811	89,690	5	6
Non-lending interest earning assets	**12,174**	12,029	8,951	1	36
Other assets	**1,584**	2,370	1,897	(33)	(16)
Total assets	**109,231**	105,210	100,538	4	9
Interest bearing deposits	**63,640**	63,874	60,257	–	6
Debt issues	**21,651**	19,408	21,216	12	2
Other interest bearing liabilities	**1,367**	2,251	1,454	(39)	(6)
Total interest bearing liabilities	**86,658**	85,533	82,927	1	4
Non-interest bearing deposits	**10,470**	8,123	6,585	29	59
Other non-interest bearing liabilities	**1,336**	1,183	1,126	13	19
Total liabilities	**98,464**	94,839	90,638	4	9

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

Divisional Performance (continued)

New Zealand (continued)

ASB Key Financial Metrics [2]	Half Year Ended [1] 31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Performance indicators					
Net interest margin (%)	**2. 09**	2. 09	2. 15	–	(6)bpts
Statutory return on assets (%)	**1. 1**	0. 7	1. 2	40 bpts	(10)bpts
Statutory operating expenses to total operating income (%)	**37. 0**	42. 7	38. 5	large	(150)bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 06**	0. 63	0. 05	(57)bpts	1 bpt
Other information					
Average interest earning assets (NZ$M)	**104,904**	102,345	98,839	3	6
Risk weighted assets (NZ$M) [3]	**58,377**	56,548	56,784	3	3
Risk weighted assets (A$M) [4]	**52,020**	50,812	52,612	2	(1)
FUA - average (NZ$M) [5]	**–**	–	16,273	–	large
FUA - spot (NZ$M) [6]	**–**	–	–	–	–
AUM - average (NZ$M)	**19,469**	18,156	17,706	7	10
AUM - spot (NZ$M)	**20,616**	18,500	18,513	11	11
90+ days home loan arrears (%)	**0. 18**	0. 34	0. 14	(16)bpts	4 bpts
90+ days consumer finance arrears (%)	**0. 74**	1. 13	0. 59	(39)bpts	15 bpts
Number of full-time equivalent staff (FTE)	**5,381**	5,122	5,074	5	6

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
2 Key financial metrics are calculated in New Zealand dollar terms unless otherwise stated.
3 Risk weighted assets (NZ$M) calculated in accordance with RBNZ requirements.
4 Risk weighted assets (A$M) calculated in accordance with APRA requirements.
5 Average balances calculated on the period the Group owned Aegis up until 2 December 2019.
6 Spot balances nil as at 31 December 2020, 30 June 2020 and 31 December 2019 due to the completion of the sale of Aegis on 2 December 2019.

New Zealand (continued)

Financial Performance and Business Review

Half Year Ended December 2020 versus December 2019

ASB Net profit after tax ("statutory basis") for the half year ended 31 December 2020 was NZD617 million, an increase of NZD24 million or 4% on the prior comparative period. The result was driven by a 1% increase in total operating income, a 3% increase in operating expenses and a 36% increase in loan impairment expense.

Net Interest Income

Net interest income was NZD1,107 million, an increase of NZD39 million or 4% on the prior comparative period. The increase was driven by 6% growth in average interest earning assets due to growth in lending, partly offset by a 3% decrease in net interest margin.

Net interest margin decreased 6 basis points, reflecting:

- Lower deposit margins due to reduced earnings on transaction and savings deposits reflecting decreases in the cash rate (down 19 basis points); and
- Lower earnings on equity due to the falling interest rate environment (down 5 basis points); partly offset by
- Lower wholesale funding costs due to reduced wholesale funding spreads (up 9 basis points);
- Favourable portfolio mix (up 7 basis points) driven by strong growth in transaction and savings deposits (up 11 basis points), partly offset by unfavourable lending mix driven by proportionally more lower margin home loan balances relative to higher margin consumer finance and business lending balances (down 4 basis points); and
- Higher business and rural lending margins (up 2 basis points).

Other Banking Income

Other banking income was NZD224 million, a decrease of NZD23 million or 9% on the prior comparative period, reflecting:

- Lower Markets income due to lower trading gains and lower sales income from reduced client demand;
- Lower card volumes primarily driven by a decline in international spend due to COVID-19; and
- Lower insurance commission income; partly offset by
- Higher equities fee income driven by increased trading volumes due to increased market volatility.

Funds Management Income

Funds management income was NZD73 million, a decrease of NZD3 million or 4% on the prior comparative period, driven by:

- Lower income due to the completion of the sale of Aegis on 2 December 2019; partly offset by
- Higher average Assets Under Management (AUM) (up 10%), reflecting net inflows and favourable investment markets.

Operating Expenses

Operating expenses were NZD521 million, an increase of NZD13 million or 3% on the prior comparative period. The increase was driven by higher IT costs from investment related spend and software licencing, and increased staff costs primarily driven by higher average FTE, partly offset by lower credit card loyalty redemptions and lower travel and entertainment expenses due to COVID-19.

The number of FTE increased by 307 or 6% on the prior comparative period from 5,074 to 5,381 FTE, primarily driven by an increase in project related FTE and risk and compliance staff.

Investment spend continues to focus on strengthening the operational risk and compliance framework, customer centric initiatives and enhancing technology platforms.

The operating expense to total operating income ratio ("statutory basis") for ASB was 37.0%, a decrease of 150 basis points on the prior comparative period mainly driven by growth in operating expenses.

Loan Impairment Expense

Loan impairment expense was NZD30 million, an increase of NZD8 million or 36% on the prior comparative period. This was driven by higher collective provisions in the business portfolio mainly due to increased forward looking adjustments reflecting uncertainty in the economic outlook and emerging industry sector risks, in particular Commercial Property, Accommodation, and Cafes and Restaurants, mainly due to the impact of COVID-19, partly offset by lower consumer collective provision charges in the current half.

Home loan 90+ days arrears increased 4 basis points, from 0.14% to 0.18%, and consumer finance 90+ days arrears increased 15 basis points, from 0.59% to 0.74%, reflecting the impact of COVID-19.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD5.6 billion or 9%, above system growth of 8% [1], with continued customer preference for fixed rate loans;
- Business loan growth of NZD0.5 billion or 3%, above system decline of 4% [1,2];
- Rural loan growth was flat, above system decline of 1% [1,2]; and
- Total deposit growth of NZD7.3 billion or 11% (interest and non-interest bearing), above system growth of 10% [1], with a customer preference for transaction and savings deposits.

Risk Weighted Assets [3]

Risk weighted assets were NZD58.4 billion, an increase of NZD1.6 billion or 3% on the prior comparative period.

- Credit risk weighted assets increased NZD0.2 billion or flat, driven by an increase in lending volumes, partly offset by an improvement in credit risk estimates and methodology changes;
- Operational risk weighted assets increased NZD0.8 billion or 18%; and
- Market risk weighted assets increased NZD0.6 billion or 21%.

1 System growth rates have been annualised based on the growth rate for the eleven months to November 2020, due to a delay in the publishing of RBNZ December 2020 data.

2 System growth rates have been normalised to exclude the impact of ANZ's sale of UDC Finance Limited in September 2020.

3 Risk weighted assets reflect the New Zealand dollar amount calculated in accordance with RBNZ requirements.

New Zealand (continued)

Financial Performance and Business Review (continued)

Half Year Ended December 2020 versus June 2020

Net profit after tax ("statutory basis") increased NZD269 million or 77% on the prior half. The result was driven by a 5% increase in total operating income, a 9% decrease in operating expenses and an 89% decrease in loan impairment expense.

Net Interest Income

Net interest income increased NZD45 million or 4% on the prior half. This result was driven by 3% growth in average interest earning assets due to growth in lending and the benefit of two additional calendar days in the current half.

Net interest margin was flat, reflecting:

- Favourable portfolio mix (up 7 basis points) driven by strong growth in transaction and savings deposits (up 8 basis points), partly offset by unfavourable lending mix driven by proportionally more lower margin home loan balances relative to higher margin consumer finance and business lending balances (down 1 basis point);
- Lower wholesale funding costs due to reduced wholesale funding spreads (up 7 basis points); and
- Higher business and rural lending margins (up 2 basis points); offset by
- Lower deposit margins due to reduced earnings on transaction and savings deposits reflecting decreases in the cash rate (down 14 basis points); and
- Lower earnings on equity due to the falling interest rate environment (down 2 basis points).

Other Banking Income

Other banking income increased NZD11 million or 5% on the prior half, reflecting higher card and merchant volumes primarily due to a seasonal increase in spend from the December holiday season.

Funds Management Income

Funds management income increased NZD6 million or 9% on the prior half, driven by higher average AUM (up 7%), reflecting net inflows and favourable investment markets.

Operating Expenses

Operating expenses decreased NZD49 million or 9% on the prior half. The decrease was driven by lower staff expenses primarily due to the non-recurrence of a prior half provision relating to historical holiday pay and a decrease in investment spend.

The number of FTE increased by 259 or 5% on the prior half from 5,122 to 5,381 FTE, primarily driven by growth in project related staff.

The operating expenses to total operating income ratio ("statutory basis") was 37.0%, a decrease from 42.7% in the prior half, driven by higher operating income and lower operating expenses.

Loan Impairment Expense

Loan impairment expense decreased NZD254 million or 89% on the prior half. This was driven by higher collective and individually assessed provision charges recognised in the prior half, mainly due to the impact of COVID-19.

Home loan 90+ days arrears decreased 16 basis points, from 0.34% to 0.18%, and consumer finance 90+ days arrears decreased 39 basis points, from 1.13% to 0.74%, reflecting positive customer behaviour, and the resumption of collection and write-off activity post the COVID-19 lockdown.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD4.1 billion or 7%, above system growth of 5% [1], with continued customer preference for fixed rate loans;
- Business loan growth of NZD0.5 billion or 3%, above system decline of 4% [1,2];
- Rural loan growth of NZD0.1 billion or 1%, above system decline of 1% [1,2]; and
- Total deposit growth of NZD2.1 billion or 3% (interest and non-interest bearing), below system growth of 4% [1], with a customer preference for transaction and savings deposits.

Risk Weighted Assets [3]

Risk weighted assets increased NZD1.8 billion or 3% on the prior half.

- Credit risk weighted assets increased NZD0.7 billion or 1% primarily driven by an increase in residential lending volumes, partly offset by a reduction in sovereign risk weighted assets due to a change in credit risk estimates applied to highly rated sovereign counterparties;
- Operational risk weighted assets increased NZD0.9 billion or 20%; and
- Market risk weighted assets increased NZD0.2 billion or 6%.

1 System growth rates for the half year ended December 2020 are based on the run-rated growth rate for the five months to November 2020, due to a delay in the publishing of RBNZ December 2020 data.
2 System growth rates have been normalised to exclude the impact of ANZ's sale of UDC Finance Limited in September 2020.
3 Risk weighted assets reflect the New Zealand dollar amount calculated in accordance with RBNZ requirements.

International Financial Services

Overview

The continuing operations of 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).

On 4 June 2020 CBA completed the sale of its 80% interest in its Indonesian life insurance business PT Commonwealth Life (PTCL) to FWD Group.

On 10 December 2020 CBA completed the sale of its 37.5% equity interest in BoCommLife Insurance Company Limited (BoCommLife) to MS&AD Insurance Group Holdings (MS&AD) [1].

The IFS results have been prepared on a continuing operations basis excluding the financial results of BoCommLife and PTCL (discontinued operations). The financial results of the discontinued operations are excluded from the account lines of the IFS performance and reported as a single cash net profit after tax line item. Refer to Note 7.3 for further information.

	Half Year Ended [2]				
International Financial Services [3]	**31 Dec 20 $M**	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Net interest income	**62**	71	75	(13)	(17)
Other banking income	**155**	82	135	89	15
Total banking income	**217**	153	210	42	3
Operating expenses	**(62)**	(71)	(77)	(13)	(19)
Loan impairment expense	**(9)**	(38)	(21)	(76)	(57)
Net profit before tax	**146**	44	112	large	30
Corporate tax expense	**(19)**	(15)	(14)	27	36
Cash net profit after tax from continuing operations	**127**	29	98	large	30
Cash net (loss)/profit after tax from discontinued operations [4]	**(1)**	3	14	large	large
Net profit after tax ("cash basis")	**126**	32	112	large	13
Gain on acquisition, disposal, closure and demerger of businesses	**373**	161	4	large	large
Net profit after tax ("statutory basis")	**499**	193	116	large	large

	Half Year Ended [2]				
Key Financial Metrics (continuing operations)	**31 Dec 20**	30 Jun 20	31 Dec 19	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Performance indicators					
Return on assets (%)	**5. 0**	1. 1	3. 7	390 bpts	130 bpts
Statutory operating expenses to total operating income (%)	**28. 2**	37. 6	36. 3	large	large
Impairment expense annualised as a % of average GLAAs (%)	**1. 49**	5. 21	2. 77	(372)bpts	(128)bpts
Other information					
Risk weighted assets ($M) [5]	**2,909**	2,971	2,642	(2)	10
Number of full-time equivalent staff (FTE)	**1,264**	1,247	1,340	1	(6)

1 MS&AD Insurance Group Holdings is the ultimate parent company of Mitsui Sumitomo Insurance Co. Ltd.
2 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
3 IFS does not include the Business Banking and Institutional Banking and Markets businesses in Asia.
4 Discontinued operations include BoCommLife and PTCL. Cash net profit after tax from discontinued operations decreased by $15 million against the prior comparative period and $4 million against the prior half due to the completion of the sale of PTCL on 4 June 2020.
5 Risk weighted assets include discontinued operations.

International Financial Services (continued)

Financial Performance and Business Review

Half Year Ended December 2020 versus December 2019

International Financial Services (IFS) Net profit after tax ("statutory basis") for the half year ended 31 December 2020 was $499 million, an increase of $383 million on the prior comparative period. Excluding the contribution from discontinued operations, net profit after tax ("cash basis") was $127 million, an increase of $29 million or 30% on the prior comparative period. The result was driven by a 3% increase in total banking income, a 19% decrease in operating expenses and a 57% decrease in loan impairment expense.

In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact from discontinued operations (BoCommLife and PTCL).

Net Interest Income

Net interest income was $62 million, a decrease of $13 million or 17% on the prior comparative period. Excluding the impact of FX movements, net interest income decreased by $9 million or 12% driven by lower earnings on equity due to the falling interest rate environment and a 13% decrease in average lending balances in PT Bank Commonwealth (PTBC) primarily due to the impact of COVID-19, partly offset by lower funding costs.

Other Banking Income

Other banking income was $155 million, an increase of $20 million or 15% on the prior comparative period, driven by higher net profits from minority investments.

Operating Expenses

Operating expenses were $62 million, a decrease of $15 million or 19% on the prior comparative period. Excluding the impact of FX movements, operating expenses decreased by $9 million or 12% mainly as a result of productivity and simplification initiatives.

The number of FTE decreased by 76 or 6% on the prior comparative period, from 1,340 to 1,264 FTE, driven by productivity and simplification initiatives.

Loan Impairment Expense

Loan impairment expense was $9 million, a decrease of $12 million or 57% on the prior comparative period. This was driven by lower collective provisions in PTBC due to improved collections and recoveries.

Loan impairment expense as a percentage of average GLAAs decreased by 128 basis points on the prior comparative period to 1.49%.

Balance Sheet

Spot lending balances decreased by 27% (19% excluding the impact of FX movements) due to lower customer demand and continued focus on credit quality in PTBC.

Risk Weighted Assets [1]

Risk weighted assets were $2.9 billion, an increase of $0.3 billion or 10% on the prior comparative period.

- IRRBB risk weighted assets increased $0.6 billion; partly offset by
- Credit risk weighted assets decreased $0.2 billion or 13%; and
- Operational risk weighted assets decreased $0.1 billion or 13%.

Half Year Ended December 2020 versus June 2020

Net profit after tax ("statutory basis") increased $306 million on the prior half. Excluding the contribution from discontinued operations, net profit after tax ("cash basis") increased $98 million on the prior half. The result was driven by a 42% increase in total banking income, a 13% decrease in operating expenses and a 76% decrease in loan impairment expense.

In order to provide an underlying view of the performance, the commentary below has been presented excluding the impact from discontinued operations (BoCommLife and PTCL).

Net Interest Income

Net interest income decreased $9 million or 13% on the prior half. Excluding the impact of FX movements, net interest income decreased by $5 million or 7%, driven by lower earnings on equity due to the falling interest rate environment and a 9% decrease in average lending balances in PTBC primarily due to COVID-19, partly offset by lower funding costs.

Other Banking Income

Other banking income increased $73 million or 89% on the prior half, driven by higher net profits from minority investments.

Operating Expenses

Operating expenses decreased $9 million or 13% on the prior half. Excluding the impact of FX movements, operating expenses decreased by $3 million or 4% as a result of productivity and simplification initiatives in PTBC.

The number of FTE increased by 17 or 1% on the prior half, from 1,247 to 1,264 FTE mainly due to growth in technology and operations staff in PTBC, partly offset by productivity initiatives.

1 Risk Weighted Assets include discontinued operations.

International Financial Services (continued)

Financial Performance Business Review (continued)

Loan Impairment Expense

Loan impairment expense decreased $29 million or 76% on the prior half. This was driven by higher collective and individually assessed provisions recognised in the prior half, mainly due to the impact of COVID-19.

Loan impairment expense as a percentage of average gross loans and acceptances decreased by 372 basis points on the prior half.

Balance Sheet

Spot lending balances decreased by 19% (10% excluding the impact of FX movements) due to lower customer demand and continued focus on credit quality in PTBC.

Risk Weighted Assets [1]

Risk weighted assets were $2.9 billion, a decrease of $0.1 billion or 2% on the prior half.

1 Risk Weighted Assets include discontinued operations.

Corporate Centre

Overview

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;
- 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.

	Half Year Ended [1]				
Corporate Centre (including eliminations)	**31 Dec 20 $M**	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Net interest income	**93**	96	64	(3)	45
Other banking income	**(76)**	67	91	large	large
Total banking income	**17**	163	155	(90)	(89)
Funds management income	**(3)**	(6)	(24)	(50)	(88)
Insurance income	**(1)**	(2)	(1)	(50)	–
Total operating income	**13**	155	130	(92)	(90)
Operating expenses	**(934)**	(953)	(621)	(2)	50
Loan impairment (expense)/benefit	**(75)**	44	(40)	large	88
Net loss before tax	**(996)**	(754)	(531)	32	88
Corporate tax benefit	**259**	244	144	6	80
Cash net loss after tax from continuing operations	**(737)**	(510)	(387)	45	90
Cash net profit/(loss) after tax from discontinued operations	**6**	2	(3)	large	large
Net loss after tax ("cash basis")	**(731)**	(508)	(390)	44	87
Non-cash items	**(40)**	(103)	66	(61)	large
Net loss after tax ("statutory basis")	**(771)**	(611)	(324)	26	large

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

Financial Performance and Business Review

Half Year Ended December 2020 versus December 2019

Corporate Centre Net loss after tax ("statutory basis") for the half year ended 31 December 2020 was $771 million, an increase of $447 million on the prior comparative period. Excluding the contribution from discontinued operations, cash net loss after tax was $737 million, an increase of $350 million or 90% on the prior comparative period. The result was primarily driven by a 90% decrease in total operating income, a 50% increase in operating expenses and an 88% increase in loan impairment expense.

Net Interest Income

Net interest income was $93 million, an increase of $29 million or 45% on the prior comparative period. This was primarily driven by higher earnings from the liquids portfolio mainly due to growth in liquid balances.

Other Banking Income

Other banking income decreased $167 million on the prior comparative period. This was mainly driven by the upfront costs related to the Group's term debt buyback program (of approximately $60 million) and lower gains from the sale of liquid assets.

Corporate Centre (continued)

Financial Performance and Business Review (continued)

Operating Expenses

Operating expenses were $934 million, an increase of $313 million or 50% on the prior comparative period. This was primarily driven by higher remediation provisions, higher investment spend, increased long service leave and superannuation provisions due to a lower discount rate in the falling interest rate environment, and increased occupancy costs from the completion of new corporate offices and COVID-19 related cleaning and maintenance costs.

Loan Impairment Expense

Loan impairment expense was $75 million, an increase of $35 million on the prior comparative period. This was mainly driven by higher central management overlays.

Risk Weighted Assets

Risk weighted assets were $7.3 billion, a decrease of $3.7 billion or 33% on the prior comparative period.

- Credit risk weighted assets decreased $0.8 billion or 9%;
- Operational risk weighted assets decreased $0.6 billion or 27%;
- IRRBB risk weighted assets decreased $2.1 billion, mainly due to changes in interest rate risk management positions; and
- Traded market risk weighted assets decreased $0.2 billion or 41%.

Half Year Ended December 2020 versus June 2020

Net loss after tax ("statutory basis") for the half year ended 31 December 2020 increased $160 million or 26% on the prior half. Excluding the contribution from discontinued operations, cash net loss increased $227 million or 45% on the prior half. The result was primarily driven by a 92% decrease in total operating income, a 2% decrease in operating expenses and a $119 million increase in loan impairment expense.

Net Interest Income

Net interest income decreased $3 million or 3% on the prior half. This was mainly driven by lower earnings on equity due to the falling interest rate environment, partly offset by higher earnings from the management of interest rate risk in the banking book.

Other Banking Income

Other banking income decreased $143 million on the prior half. This was primarily driven by the upfront costs related to the Group's term debt buyback program (of approximately $60 million), lower hedging gains and a non-recurrence of one-off provision release in the prior half.

Operating Expenses

Operating expenses decreased $19 million or 2% on the prior half. This was mainly driven by lower remediation provisions, partly offset by higher investment spend, increased long service leave and superannuation provisions due to a lower discount rate in the falling interest rate environment, increased occupancy costs from the completion of new corporate offices and COVID-19 related maintenance costs.

Loan Impairment Expense

Loan impairment expense increased $119 million on the prior half. This was due to a central management overlay taken in the current half and the non-recurrence of the impairment benefit in the prior half from the release of a centrally held provision for drought affected agriculture and associated regional communities in NSW and Queensland.

Risk Weighted Assets

Risk weighted assets increased $3.1 billion or 73% on the prior half.

- Credit risk weighted assets increased $0.1 billion or 1%;
- Operational risk weighted assets increased $0.1 billion or 3%;
- IRRBB risk weighted assets increased $2.9 billion or 52%, mainly due to changes in interest rate risk management positions.

Wealth Management (Discontinued Operations)

Overview

Wealth Management provides superannuation, investment and retirement products which help to improve the financial wellbeing of our customers.

On 2 August 2019, CBA completed the sale of its global asset management business, Colonial First State Global Asset Management (CFSGAM) to Mitsubishi UFJ Trust and Banking Corporation (MUTB), as a result CBA recognised the financial results of CFSGAM for the period up until 2 August 2019. CFSGAM is classified as discontinued operations.

On 1 November 2019, CBA announced that the joint co-operation agreement with AIA Australia Limited (AIA) in relation to CBA's Australian life insurance business (CommInsure Life) has been implemented, as a result CBA recognised the financial results of CommInsure Life [1] for the period up until 1 November 2019. CommInsure Life is classified as discontinued operations.

From March 2020, the Aligned Advice related businesses (including Financial Wisdom, Count Financial and CFP-Pathways) were transferred out of the Wealth Management division and consolidated into the Retail Banking Services division.

On 13 May 2020, CBA announced it has entered into an agreement to sell a 55% interest in Colonial First State (CFS) to KKR, as a result, CFS is classified as discontinued operations. Following the announcement, all of Wealth Management is now classified as discontinued operations. Refer to Note 7.3 to the Financial Statements included in this Document for further information.

Discontinued Operations

	Half Year Ended [2]				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
	$M	$M	$M	Jun 20 %	Dec 19 %
Funds management income	**344**	376	508	(9)	(32)
Insurance income	**–**	–	30	–	large
Total operating income	**344**	376	538	(9)	(36)
Operating expenses	**(224)**	(355)	(360)	(37)	(38)
Net profit before tax	**120**	21	178	large	(33)
Corporate tax expense	**(36)**	(11)	(51)	large	(29)
Net profit after tax from discontinued operations ("cash basis")	**84**	10	127	large	(34)
Gain on acquisition, disposal, closure and demerger of businesses	**642**	327	1,571	96	(59)
Net profit after tax from discontinued operations ("statutory basis")	**726**	337	1,698	large	(57)

1 CommInsure's life business (the "Life Business") includes life insurance and a life related investments business.
2 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 to this Document for further details.

Wealth Management (Discontinued Operations) (continued)

Key Financial Metrics	Half Year Ended [1]				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Performance indicators					
Statutory operating expenses to total operating income (%)	**102. 1**	141. 0	11. 0	large	large
FUA - average ($M) [2]	**149,491**	152,195	158,654	(2)	(6)
FUA - spot ($M) [2]	**155,248**	147,621	160,988	5	(4)
Risk weighted assets ($M)	**168**	137	53	23	large
Number of full-time equivalent staff (FTE) [3]	**1,330**	1,375	1,244	(3)	7

Funds Under Administration (FUA) - spot	Half Year Ended [1]								
	30 Jun 20 $M	Inflows $M	Outflows $M	Net Flows $M	Other [4] $M	31 Dec 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
FirstChoice	90,771	7,199	(8,079)	(880)	7,569	**97,460**	97,391	7	–
CFSWrap	31,408	2,710	(3,629)	(919)	2,496	**32,985**	33,608	5	(2)
CFS Non-Platform	14,909	5,463	(8,166)	(2,703)	1,597	**13,803**	19,025	(7)	(27)
Other [5]	10,533	769	(785)	(16)	483	**11,000**	10,964	4	–
Total	147,621	16,141	(20,659)	(4,518)	12,145	**155,248**	160,988	5	(4)

1 Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 4.9 to this Document for further details.
2 Average and spot FUA includes Colonial First State (including Commonwealth Bank Group Super) and excludes CommInsure Life Investments.
3 FTE represents Colonial First State FTE and does not include any support unit FTE.
4 Includes investment income.
5 Other includes Commonwealth Bank Group Super.

Financial Performance and Business Review (Discontinued Operations)

Half Year Ended December 2020 versus December 2019

Wealth Management Net profit after tax (“statutory basis”) for the half year ended 31 December 2020 was $726 million, a decrease of $972 million on the prior comparative period. This reflects the non-recurrence of the impact of the disposal of CFSGAM in the prior comparative period.

CFS and other Net profit after tax for the half year ended 31 December 2020 was $39 million, a decrease of $81 million or on the prior year. The result was driven by a 13% decrease in funds management income, with flat operating expenses. Funds management income decreased mainly due to lower average FUA reflecting net outflows, and the impact of platform pricing changes in response to the regulatory and market environment.

Risk Weighted Assets

Risk weighted assets were $0.1 billion, an increase of $0.1 billion on the prior comparative period.

- IRRBB risk weighted assets increased by $0.1 billion.

Half Year Ended December 2020 versus June 2020

Wealth Management Net profit after tax (“statutory basis”) increased $389 million on the prior half, driven by lower transaction costs in relation to the disposal of CFS.

Risk Weighted Assets

Risk weighted assets were $0.2 billion, flat on the prior half.

Contents

6. Directors' Report and Financial Statements

Directors' Report 99

Consolidated Income Statement 101

Consolidated Statement of Comprehensive Income 102

Consolidated Balance Sheet 103

Consolidated Statement of Changes in Equity 104

Condensed Consolidated Statement of Cash Flows 105

Notes to the Financial Statements 106

1. Overview
   - 1.1 General Information, Basis of Accounting, Adoption of Amended Accounting Standards and Future Accounting Developments 106
2. Our Performance
   - 2.1 Net Interest Income 109
   - 2.2 Other Operating Income 110
   - 2.3 Operating Expenses 112
   - 2.4 Financial Reporting by Segments 113
   - 2.5 Income Tax Expense 118
3. Our Lending Activities
   - 3.1 Loans, Bills Discounted and Other Receivables 119
   - 3.2 Provisions for Impairment and Asset Quality 120
4. Our Deposits and Funding Activities
   - 4.1 Deposits and Other Public Borrowings 136
5. Our Capital, Equity and Reserves
   - 5.1 Shareholders' Equity 137
6. Fair Values
   - 6.1 Disclosures about Fair Values 140
7. Other Information
   - 7.1 Contingent Liabilities, Contingent Assets and Commitments arising from the banking business 143
   - 7.2 Customer Remediation, Litigation, Investigations and reviews, other matters 144
   - 7.3 Discontinued Operations and Businesses Held for Sale 149
   - 7.4 Subsequent Events 152

Directors' Declaration 153

Directors' Report

The Directors of the Commonwealth Bank of Australia present their report, together with the financial statements of the Commonwealth Bank of Australia and its controlled entities (collectively referred to as 'the Group') for the half year ended 31 December 2020.

Directors

The names of the Directors holding office at any time during or since the end of the half year were:

Catherine Livingstone AO	Chairman
Matt Comyn	Managing Director and Chief Executive Officer
Shirish Apte	Director
Genevieve Bell AO	Director
Simon Moutter	Director (appointed effective 1 September 2020)
Paul O'Malley	Director
Mary Padbury	Director
Wendy Stops	Director (retired effective 13 October 2020)
Anne Templeman-Jones	Director
Robert Whitfield AM	Director

Review and Results of Operations

The Group's statutory net profit after tax for the half year ended 31 December 2020 was $4,877 million, a decrease of $1,284 million or 21% on the prior comparative period. The decrease was driven by lower net operating income, higher operating expenses and loan impairment expense, and lower net profit from discontinued operations.

On 2 August 2019, the Group completed the sale of Colonial First State Global Asset Management (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. On 30 September 2020, the Group announced that ultimate completion of the divestment is expected to occur via a statutory asset transfer 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.

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

On 16 December 2020, the Group announced that it had entered into an agreement to merge Aussie Home Loans with Lendi Pty Ltd (Lendi). Upon completion, the Group will retain a 45% shareholding in the combined business, with existing Lendi shareholders holding the remaining 55% shareholding. The transaction is expected to complete by mid calendar year 2021.

CFS and the Group's interest in BoCommLife have been classified as discontinued operations in the Group's financial statements for the half year ended 31 December 2020. The assets and liabilities of CFS, AUSIEX and Aussie Home Loans are classified as held for sale as at 31 December 2020.

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

The performance of the Group's business segments for the half year ended 31 December 2020 was as follows:

- The statutory net profit after tax from Retail Banking Services was $2,189 million, a decrease of $116 million or 5% on the prior comparative period. The decrease was driven by lower total operating income, an increase in operating expenses and loan impairment expense, the non-recurrence of the net gain on disposal of Count Financial, and transaction and separation costs associated with the disposal of Aussie Home Loans.
- The statutory net profit after tax from Business Banking was $1,321 million, a decrease of $75 million or 5% on the prior comparative period. The decrease was driven by higher operating expenses and loan impairment expense, and transaction costs associated with the disposal of AUSIEX.
- The statutory net profit after tax from Institutional Banking and Markets was $423 million, a decrease of $42 million or 9% on the prior comparative period. The decrease was driven by an increase in loan impairment expense, partly offset by higher total banking income and lower total operating expenses.
- The statutory net profit after tax from New Zealand was $490 million, a decrease of $15 million or 3% on the prior comparative period. The decrease was primarily driven by higher total operating expenses and loan impairment expense, an increase in hedging and IFRS volatility losses, and the non-recurrence of the gain on disposal of Aegis, partly offset by higher total operating income.

Directors' Report

- The statutory net profit after tax including discontinued operations from International Financial Services was $499 million, an increase of $383 million on the prior comparative period. The increase was primarily driven by the net gain on disposal of BoCommLife, higher total banking income, lower operating expenses and loan impairment expense.
- The statutory net profit after tax from Wealth Management was $726 million, a decrease of $972 million or 57% on the prior comparative period. The decrease was primarily driven by lower funds management income, transaction costs in relation to the disposal of CFS, and non-recurrence of the impact of the disposal of CFSGAM and the deconsolidation of CommInsure Life in the prior comparative period.

Additional analysis of operations for the half year ended 31 December 2020 is set out in the Highlights and Group and Divisional Performance Analysis sections.

The Board has received written statements from the Chief Executive Officer and Chief Financial Officer that the accompanying Financial Statements have been prepared in accordance with Australian Accounting Standards, Corporations Regulations 2001 and Corporations Act.

Material Business risks

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

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

The Group's material risk types and its approach to managing them during the period are described in the 2020 Annual Report on pages 57-61 and in Note 9 of the Financial report on pages 201-234. A description of the material trends in our current external operating context, and the way that the Bank has responded to support better customer and risk outcomes, is provided in Managing our changing risk landscape on pages 55-56 of the 2020 Annual Report.

In addition, commentary on the Group's ongoing litigations, investigations and reviews for half year ended 31 December 2020 is included in Note 7.2 of the Financial Statements for the half year ended 31 December 2020.

Rounding and Presentation of Amounts

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

Auditor's Independence Declaration

We have obtained the following independence declaration from the Group's auditors, PricewaterhouseCoopers:

Auditor's Independence Declaration

As lead auditor for the review of Commonwealth Bank of Australia for the half-year ended 31 December 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
10 February 2021

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Liability limited by a scheme approved under Professional Standards Legislation.

Signed in accordance with a resolution of the Directors.

Catherine Livingstone AO
Chairman
10 February 2021

Matt Comyn
Managing Director and Chief Executive Officer
10 February 2021

Financial Statements

Consolidated Income Statement

For the half year ended 31 December 2020

	Note	Half Year Ended		
		31 Dec 20	30 Jun 20	31 Dec 19
		$M	$M	$M
Interest income:				
Effective interest income	2.1	**12,642**	14,007	15,719
Other interest income	2.1	**144**	209	227
Interest expense	2.1	**(3,415)**	(4,956)	(6,596)
Net interest income		**9,371**	9,260	9,350
Other banking income [1]	2.2	**2,354**	2,408	2,594
Net banking operating income		**11,725**	11,668	11,944
Net funds management operating income	2.2	**80**	75	98
Net insurance operating income	2.2	**91**	109	32
Total net operating income before operating expenses and impairment		**11,896**	11,852	12,074
Operating expenses	2.3	**(5,627)**	(5,718)	(5,211)
Loan impairment expense	3.2	**(882)**	(1,869)	(649)
Net profit before income tax		**5,387**	4,265	6,214
Income tax expense	2.5	**(1,610)**	(1,258)	(1,762)
Net profit after income tax from continuing operations		**3,777**	3,007	4,452
Non-controlling interests in net profit after income tax from continuing operations		**–**	–	–
Net profit attributable to equity holders of the Bank from continuing operations		**3,777**	3,007	4,452
Net profit after income tax from discontinued operations	7.3	**1,100**	466	1,712
Non-controlling interests in net profit after income tax from discontinued operations	7.3	**–**	–	(3)
Net profit attributable to equity holders of the Bank		**4,877**	3,473	6,161

1 Other banking income is presented net of directly associated depreciation and impairment charges.

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

Earnings per share for profit attributable to equity holders of the parent entity during the year:

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	Cents per Share		
Earnings per share from continuing operations:			
Basic	**213. 4**	170. 0	251. 7
Diluted	**202. 4**	165. 5	243. 4
Earnings per share:			
Basic	**275. 5**	196. 3	348. 4
Diluted	**259. 4**	189. 9	334. 0

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2020

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Net profit after income tax for the period from continuing operations	**3,777**	3,007	4,452
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit/(loss):			
Foreign currency translation reserve net of tax	**(296)**	(204)	18
(Losses) and gains on cash flow hedging instruments net of tax	**(519)**	965	(239)
Gains and (losses) on debt investment securities at fair value through other comprehensive income net of tax	**463**	(77)	(122)
Total of items that may be reclassified	**(352)**	684	(343)
Items that will not be reclassified to profit/(loss):			
Actuarial (losses) and gains from defined benefit superannuation plans net of tax	**(272)**	210	(94)
Gains on equity investment securities at fair value through other comprehensive income net of tax	**226**	32	2
Revaluation of properties net of tax	**1**	17	2
Total of items that will not be reclassified	**(45)**	259	(90)
Other comprehensive income net of income tax from continuing operations	**(397)**	943	(433)
Total comprehensive income for the period from continuing operations	**3,380**	3,950	4,019
Net profit after income tax for the period from discontinued operations	**1,100**	466	1,712
Other comprehensive income/(expense) for the period from discontinued operations net of income tax [1]	**33**	(17)	(39)
Total comprehensive income for the period	**4,513**	4,399	5,692
Total comprehensive income for the period is attributable to:			
Equity holders of the Bank	**4,513**	4,399	5,689
Non-controlling interests	**–**	–	3
Total comprehensive income net of tax	**4,513**	4,399	5,692

1 The half year ended 31 December 2020 includes $2 million loss on foreign currency translation net of tax (30 June 2020: $1 million loss; 31 December 2019: $47 million loss) and $35 million gain on revaluation of investment securities net of tax (30 June 2020: $16 million loss; 31 December 2019: $8 million gain).

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

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	Cents per Share		
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**150**	98	200

Consolidated Balance Sheet

As at 31 December 2020

		As at		
		31 Dec 20 [1]	30 Jun 20	31 Dec 19
Assets	**Note**	**$M**	$M	$M
Cash and liquid assets		**63,019**	44,165	37,105
Receivables from financial institutions		**7,280**	8,547	7,710
Assets at fair value through Income Statement		**50,702**	46,545	39,813
Derivative assets		**32,398**	30,285	24,818
Investment securities:				
At amortised cost		**4,391**	5,173	6,285
At fair value through other comprehensive income		**89,672**	79,549	73,113
Loans, bills discounted and other receivables	3.1	**785,429**	771,547	765,464
Property, plant and equipment		**5,468**	5,602	5,205
Investments in associates and joint ventures		**2,865**	3,034	3,054
Intangible assets		**6,943**	6,944	7,729
Deferred tax assets		**2,522**	2,060	1,892
Other assets		**5,428**	8,839	6,474
Assets held for sale	7.3	**1,617**	1,770	1,206
Total assets		**1,057,734**	1,014,060	979,868
Liabilities				
Deposits and other public borrowings	4.1	**746,466**	701,999	662,824
Payables to financial institutions [2]		**31,010**	16,429	23,822
Liabilities at fair value through Income Statement		**7,255**	4,397	4,752
Derivative liabilities		**33,482**	31,347	24,692
Current tax liabilities		**105**	795	458
Deferred tax liabilities		**224**	30	–
Provisions		**3,552**	3,408	2,999
Debt issues		**122,548**	142,503	153,327
Bills payable and other liabilities		**9,826**	13,188	9,854
Liabilities held for sale	7.3	**655**	594	562
		955,123	914,690	883,290
Loan capital		**27,608**	27,357	25,425
Total liabilities		**982,731**	942,047	908,715
Net assets		**75,003**	72,013	71,153
Shareholders' Equity				
Ordinary share capital	5.1	**38,417**	38,131	38,126
Reserves	5.1	**2,287**	2,666	1,910
Retained profits	5.1	**34,294**	31,211	31,066
Shareholders' Equity attributable to equity holders of the Bank		**74,998**	72,008	71,102
Non-controlling interests	5.1	**5**	5	51
Total Shareholders' Equity		**75,003**	72,013	71,153

1 Current period balances have been impacted by the announced divestment of Aussie Home Loans and the completed disposal of BoCommLife. For details on the Group's discontinued operations and businesses held for sale, refer to Note 7.3.

2 Payables to financial institutions as at 31 December 2020 include $19,163 million in relation to funds drawn under the RBA's Term Funding Facility (TFF) (30 June 2020: $1,500 million). The Group's total available TFF allocation as at 31 December 2020 was $40,958 million (30 June 2020: $26,646 million).

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2020

	Ordinary share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 30 June 2019	38,020	3,092	28,482	**69,594**	55	**69,649**
Change on adoption of AASB 16	–	–	(146)	**(146)**	–	**(146)**
Restated opening balance	38,020	3,092	28,336	**69,448**	55	**69,503**
Net profit after income tax from continuing operations	–	–	4,452	**4,452**	–	**4,452**
Net profit after income tax from discontinued operations	–	–	1,709	**1,709**	3	**1,712**
Net other comprehensive income from continuing operations	–	(339)	(94)	**(433)**	–	**(433)**
Net other comprehensive income from discontinued operations	–	(39)	–	**(39)**	–	**(39)**
Total comprehensive income for the period	–	(378)	6,067	**5,689**	3	**5,692**
Transactions with Equity holders in their capacity as Equity holders: [1]						
Dividends paid on ordinary shares	–	–	(4,089)	**(4,089)**	–	**(4,089)**
Dividend reinvestment plan (net of issue costs)	(1)	–	–	**(1)**	–	**(1)**
Share-based payments	–	(65)	–	**(65)**	–	**(65)**
Purchase of treasury shares	(54)	–	–	**(54)**	–	**(54)**
Decrease in treasury shares on deconsolidation of CommInsure Life	79	–	–	**79**	–	**79**
Sale and vesting of treasury shares	82	–	–	**82**	–	**82**
Other changes	–	(739)	752	**13**	(7)	**6**
As at 31 December 2019	38,126	1,910	31,066	**71,102**	51	**71,153**
Net profit after income tax from continuing operations	–	–	3,007	**3,007**	–	**3,007**
Net profit after income tax from discontinued operations	–	–	466	**466**	–	**466**
Net other comprehensive income from continuing operations	–	733	210	**943**	–	**943**
Net other comprehensive income from discontinued operations	–	(17)	–	**(17)**	–	**(17)**
Total comprehensive income for the period	–	716	3,683	**4,399**	–	**4,399**
Transactions with Equity holders in their capacity as Equity holders: [1]						
Dividends paid on ordinary shares	–	–	(3,540)	**(3,540)**	–	**(3,540)**
Share-based payments	–	42	–	**42**	–	**42**
Purchase of treasury shares	(11)	–	–	**(11)**	–	**(11)**
Sale and vesting of treasury shares	16	–	–	**16**	–	**16**
Other changes	–	(2)	2	**–**	(46)	**(46)**
As at 30 June 2020	38,131	2,666	31,211	**72,008**	5	**72,013**
Net profit after income tax from continuing operations	–	–	3,777	**3,777**	–	**3,777**
Net profit after income tax from discontinued operations	–	–	1,100	**1,100**	–	**1,100**
Net other comprehensive income from continuing operations	–	(125)	(272)	**(397)**	–	**(397)**
Net other comprehensive income from discontinued operations	–	33	–	**33**	–	**33**
Total comprehensive income for the period	–	(92)	4,605	**4,513**	–	**4,513**
Transactions with Equity holders in their capacity as Equity holders: [1]						
Dividends paid on ordinary shares	–	–	(1,735)	**(1,735)**	–	**(1,735)**
Dividend reinvestment plan (net of issue costs)	264	–	–	**264**	–	**264**
Share-based payments	–	(74)	–	**(74)**	–	**(74)**
Purchase of treasury shares	(62)	–	–	**(62)**	–	**(62)**
Sale and vesting of treasury shares	84	–	–	**84**	–	**84**
Other changes	–	(213)	213	**–**	–	**–**
As at 31 December 2020	38,417	2,287	34,294	**74,998**	5	**75,003**

1 Current year and prior years include discontinued operations.

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

Condensed Consolidated Statement of Cash Flows [1,2]

For the half year ended 31 December 2020

	Half Year Ended [3]		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Cash flows from operating activities before changes in operating assets and liabilities	**4,317**	6,443	4,108
Changes in operating assets and liabilities arising from cash flow movements	**26,788**	20,637	7,672
Net cash provided by operating activities	**31,105**	27,080	11,780
Net proceeds from disposal of entities and businesses (net of cash and cash equivalents disposed)	**868**	1,023	3,988
Other cash used in investing activities	**(474)**	(733)	(582)
Net cash provided by investing activities	**394**	290	3,406
Dividends paid [4]	**(1,471)**	(3,547)	(4,082)
Proceeds from issuance of debt securities	**10,133**	17,729	19,901
Redemption of issued debt securities	**(23,134)**	(34,117)	(30,544)
Other cash provided by financing activities	**1,867**	275	2,153
Net cash used in financing activities	**(12,605)**	(19,660)	(12,572)
Net increase in cash and cash equivalents	**18,894**	7,710	2,614
Effect of foreign exchange rates on cash and cash equivalents	**(1,923)**	16	1
Cash and cash equivalents at beginning of period	**27,351**	19,625	17,010
Cash and cash equivalents at end of period	**44,322**	27,351	19,625

1 It should be noted that the Group does not use this accounting Statement of Cash Flows in the internal management of its liquidity positions.
2 Includes discontinued operations.
3 Comparative information has been restated to conform to the presentation in the current period.
4 Includes DRP satisfied by on-market purchase and transfer of shares.

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

Notes to the Financial Statements

1. Overview

1.1 General Information, Basis of Accounting, Adoption of Amended Accounting Standards and Future Accounting Developments

General Information

Commonwealth Bank of Australia (the Bank) is Australia's leading provider of integrated financial services, including retail, business and institutional banking, funds management, superannuation, insurance, investment and share-broking products and services. The Bank has branches across Australia and New Zealand as well as Europe, North America and Asia.

The financial statements of the Bank and its subsidiaries (the Group) for the half year ended 31 December 2020, were approved and authorised for issue by the Board of Directors on 10 February 2021. The Directors have the power to amend and reissue the financial statements.

The financial report includes the consolidated financial statements of the Group, accompanying notes, Directors' Declaration and the Independent Auditor's Review Report.

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.

On 2 August 2019, the Group completed the sale of Colonial First State Global Asset Management (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 Insurance Company Limited (BoCommLife)). As a result, CommInsure Life (excluding BoCommLife) was deconsolidated and derecognised on 1 November 2019. The aggregate proceeds are being received in instalments. On 30 September 2020, the Group announced that ultimate completion of the divestment is expected to occur via a statutory asset transfer 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.

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

On 16 December 2020, the Group announced that it had entered into an agreement to merge Aussie Home Loans with Lendi Pty Ltd (Lendi). Upon completion, the Group will retain a 45% shareholding in the combined business, with existing Lendi shareholders holding the remaining 55% shareholding. The transaction is expected to complete by mid calendar year 2021.

CFS and the Group's interest in BoCommLife have been classified as discontinued operations in the Group's financial statements for the half year ended 31 December 2020. The assets and liabilities of CFS, AUSIEX and Aussie Home Loans are classified as held for sale as at 31 December 2020.

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

Basis of Accounting

The general purpose financial report for the half year ended 31 December 2020 has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth) and AASB 134 *'Interim Financial Reporting'* which ensures compliance with IAS 34 *Interim Financial Reporting*. The Group is a for-profit entity for the purpose of preparing this report.

This half year financial report does not include all notes of the type normally included within an Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the Annual Financial Report.

As a result, this half year financial report should be read in conjunction with the 30 June 2020 Annual Financial Report of the Group and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 (Cth) and the ASX Listing Rules.

The amounts contained in this half year financial report are presented in Australian dollars and rounded to the nearest million dollars unless otherwise stated, under the option available under ASIC Corporations Instrument 2016/191. For the purpose of this half year financial report, the half year has been treated as a discrete reporting period.

Except as discussed below, the accounting policies adopted in the preparation of the half year financial report are consistent with those adopted by the Group and disclosed in the Annual Financial Report for the year ended 30 June 2020.

1.1 General Information, Basis of Accounting, Adoption of Amended Accounting Standards and Future Accounting Developments (continued)

Where necessary, comparative information has been restated to conform to presentation in the current period. All changes have been footnoted throughout the financial statements. Discontinued operations are excluded from the results of the continuing operations and are presented as a single line item "net profit after tax from discontinued operations" in the Consolidated Income Statement. Assets and liabilities of discontinued operations have been presented separately as held for sale on the consolidated Balance Sheet.

Impacts of coronavirus (COVID-19)

The Group has carefully considered the impact of COVID-19 in preparing its financial statements for the half year ended 31 December 2020, including the application of critical estimates and judgements. The key impacts on the financial statements are as follows:

- Provisions for impairment (Refer to Note 3.2)
- Assessment of impairment of non-financial assets.

The Group assessed Property, plant and equipment, right-of-use assets, and assets held as lessor for indicators of impairment. Due to the prolonged impact of COVID-19 on the global aviation sector and the protraction of international travel restrictions, a further impairment of several aircraft of $124 million was recognised, which is presented within Other banking income. In determining the value in use of the aircraft, the Group incorporates the cash inflows over the lease term, as well as the expected selling price on expiry of the lease. Continued market disruption across the aviation industry, lower demand for used aircraft, and a decline in asset prices, resulted in a reduction in the assets' expected recoverable values below their carrying values. There remains significant uncertainty regarding the severity of the impact of COVID-19 on the aviation sector, and the duration of restrictions on domestic and international travel.

Adoption of Amended Accounting Standards and Future Accounting Developments

Amendments to accounting standards

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 were adopted with effect from 1 July 2020, but did not have an impact on the Group.

Future Accounting Developments

AASB 17 *Insurance Contracts* will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, with effect from 1 July 2023. On 30 July 2020, a number of amendments to AASB 17 were issued under AASB 2020-05 *Amendments to Australian Accounting Standards – Insurance Contracts*, including an additional scope exclusion for credit cards and similar contracts that provide insurance coverage, as well as an optional scope exclusion for loan contracts that transfer significant insurance risk. 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 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 will apply to the Group with effect from 1 July 2022, but will not have an impact.

Other amendments that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

Interest Rate Benchmark Reform

Accounting amendments and the impact on financial reporting

The Group has exposure to various London Interbank Offer Rates (LIBORs), namely, USD LIBOR, GBP LIBOR, JPY LIBOR and CHF LIBOR, through Derivatives, Loans, Investment securities, as well as Loan capital, Deposits and other public borrowings, and Debt issues. LIBOR rates are expected to be discontinued from 1 January 2022. Prior to that date, market participants are expected to transition large parts, but not necessarily all, of their exposures to newly adopted alternative risk-free reference rates (RFRs). In addition, the use of LIBOR in new contracts is expected to be phased out before the actual discontinuance of the rate. While the Bank Bill Swap Rate (BBSW) and EURIBOR are not expected to be discontinued, the transition away from LIBORs to alternative RFRs is expected to impact the use of BBSW and EURIBOR in financial instruments such as cross-currency swaps and multi-currency lending facilities.

The transition from the various LIBORs 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*. These amendments provide relief from the potential accounting effects of uncertainty in the period leading up to the reform and were early adopted by the Group during the financial year ended 30 June 2020. The amendments did not have a significant impact on the Group.

AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* was issued by the AASB on 22 September 2020. The amendments apply only to those changes to financial instruments and hedging relationships that are a direct consequence of IBOR reform and where cash flows are amended on an economically equivalent basis. The key amendments include the following:

- A practical expedient for changes in contractual cash flows required by the reform - an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes, but will instead update the effective interest rate to reflect the change to the alternative RFR;

1.1 General Information, Basis of Accounting, Adoption of Amended Accounting Standards and Future Accounting Developments (continued)

- Hedge accounting - an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets all the other hedge accounting criteria; and
- Additional disclosures - an entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

While the amendments apply with mandatory effect from 1 July 2021, early adoption is permitted. The Group is considering whether it will early adopt the amendments for its Annual Financial Report for the year ended 30 June 2021, when the market, clients, and the Group are expected to transition exposures from LIBOR to RFRs.

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.

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

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Interest Income			
Effective interest income:			
Loans and bills discounted	**12,341**	13,376	14,768
Other financial institutions	**11**	37	73
Cash and liquid assets	**36**	142	214
Investment securities:			
At amortised cost	**26**	44	70
At fair value through Other Comprehensive Income	**228**	408	594
Total effective interest income	**12,642**	14,007	15,719
Other interest income:			
Assets at fair value through Income Statement	**144**	209	227
Total interest income	**12,786**	14,216	15,946
Interest Expense			
Deposits	**2,278**	3,140	4,164
Other financial institutions	**38**	153	238
Liabilities at fair value through Income Statement	**11**	26	48
Debt issues	**522**	1,031	1,498
Loan capital	**343**	398	427
Lease liabilities	**42**	34	37
Bank levy	**181**	174	184
Total interest expense	**3,415**	4,956	6,596
Net interest income	**9,371**	9,260	9,350

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 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 premiums/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.

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

2.2 Other Operating Income

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Other Banking Income			
Commissions	**1,299**	1,236	1,321
Lending fees	**525**	503	483
Trading income	**535**	432	508
Net (loss)/gain on non-trading financial instruments [1]	**(84)**	94	45
Net gain on sale of property, plant and equipment	**–**	14	18
Net gain/(loss) from hedging ineffectiveness	**17**	(32)	18
Dividends	**1**	1	2
Share of profit from associates and joint ventures net of impairment	**131**	74	96
Other [2,3]	**(70)**	86	103
Total other banking income	**2,354**	2,408	2,594
Net Funds Management Operating Income			
Funds management income	**89**	82	114
Claims, policyholder liability and commission expense	**(9)**	(7)	(16)
Net funds management operating income	**80**	75	98
Net Insurance Operating Income			
Premiums from insurance contracts	**345**	346	352
Investment revenue	**–**	1	1
Claims, policyholder liability and commission expense from insurance contracts	**(254)**	(238)	(321)
Net insurance operating income	**91**	109	32
Total other operating income	**2,525**	2,592	2,724

1 Includes gains/(losses) on non-trading derivatives that are held for risk management purposes.

2 The half year ended 31 December 2020 includes depreciation of $40 million in relation to assets held for lease as lessor by the Group (30 June 2020: $43 million; 31 December 2019: $40 million).

3 The half year ended 31 December 2020 includes a further $124 million impairment loss recognised by the Group in relation to certain aircraft owned by the Group and leased to various airlines (30 June 2020: $92 million). The impairment loss was driven by the impact of COVID-19 on the aviation sector.

2.2 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 *Revenue from Contracts with Customers*. 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 the 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's carrying amount.

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

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

Critical accounting judgements and estimates

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

2.3 Operating Expenses

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Staff Expenses			
Salaries and related on-costs	**2,733**	2,640	2,599
Share-based compensation	**45**	55	48
Superannuation	**225**	210	199
Total staff expenses	**3,003**	2,905	2,846
Occupancy and Equipment Expenses			
Lease expenses	**86**	80	83
Depreciation of property, plant and equipment	**373**	368	358
Other occupancy expenses	**119**	112	55
Total occupancy and equipment expenses	**578**	560	496
Information Technology Services			
Application, maintenance and development	**322**	276	291
Data processing	**94**	94	88
Desktop	**69**	69	49
Communications	**87**	102	90
Amortisation of software assets [1]	**325**	363	562
Software write-offs	**–**	3	11
IT equipment depreciation	**66**	64	69
Total information technology services	**963**	971	1,160
Other Expenses			
Postage and stationery	**66**	78	70
Transaction processing and market data	**69**	71	64
Fees and commissions:			
Professional fees	**252**	234	170
Other	**125**	140	122
Advertising, marketing and loyalty	**195**	217	207
Amortisation of intangible assets (excluding software and merger related amortisation)	**3**	2	3
Non-lending losses	**214**	495	68
Other	**98**	16	–
Total other expenses	**1,022**	1,253	704
Operating expenses before restructuring, separation and transaction costs	**5,566**	5,689	5,206
Restructuring, separation and transaction costs	**61**	29	5
Total operating expenses [2]	**5,627**	5,718	5,211

1 The half year ended 31 December 2020 includes $82 million of amortisation of prepaid software licenses (30 June 2020: $83 million; 31 December 2019: $87 million). The half year ended 31 December 2019 also includes approximately a $220 million one-off impact of accelerated amortisation following a review of the amortisation method and useful life of certain technology assets.

2 The half year ended 31 December 2020 includes $118 million of additional provisions for historical Aligned Advice remediation issues and associated program costs, and $123 million of Banking and other Wealth related customer remediation and other litigation provisions. The half year ended 30 June 2020 includes a $300 million provision for historical Aligned Advice remediation issues and associated program costs, $94 million of Wealth and Banking customer refunds and associated program costs, and a $60 million increase in provisions for other remediation items.

2.3 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 settled and 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. Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within Depreciation of property, plant and equipment.

IT services expenses are recognised as incurred 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 in the 2020 Annual Report 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.

Measurement 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 in the 2020 Annual Report.

Refer to note 6.2 in the 2020 Annual Report for more information on the judgements and estimates associated with goodwill.

2.4 Financial Reporting by Segments

The principal activities of the Group are carried out in the business segments below. These segments are based on the distribution channels through which customer relationships are managed. Business segments are managed on the basis of net profit after tax ("cash basis").

During the half year ended 31 December 2020, the Group made a number of structural changes to its operating segments. This includes the transfer of Commonwealth Private out of the Business Banking division and consolidation into the Retail Banking Services division in order to better serve our customers, and align distribution channels and core product offerings. There were also other re-segmentations, allocations and reclassifications, including refinements to the allocation of support units and other costs. These changes have not impacted the Group's net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments. These changes have been applied retrospectively.

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 31 December 2020 [1]						
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	IFS and Corporate Centre $M	Wealth Management $M	Total $M
Net interest income	4,923	2,603	691	999	155	–	**9,371**
Other banking income:							
Commissions	557	512	80	138	12	–	**1,299**
Lending fees	74	230	189	33	(1)	–	**525**
Trading and other income	132	89	277	29	68	–	**595**
Total other banking income	763	831	546	200	79	–	**2,419**
Total banking income	5,686	3,434	1,237	1,199	234	–	**11,790**
Funds management income	15	–	–	68	(3)	–	**80**
Insurance income	92	–	–	–	(1)	–	**91**
Total operating income	5,793	3,434	1,237	1,267	230	–	**11,961**
Operating expenses	(2,357)	(1,242)	(485)	(486)	(996)	–	**(5,566)**
Loan impairment expense	(308)	(286)	(177)	(27)	(84)	–	**(882)**
Net profit before tax	3,128	1,906	575	754	(850)	–	**5,513**
Corporate tax (expense)/benefit	(932)	(571)	(152)	(212)	240	–	**(1,627)**
Non-controlling interests	–	–	–	–	–	–	**–**
Net profit after tax from continuing operations - "cash basis"	2,196	1,335	423	542	(610)	–	**3,886**
Net profit after tax from discontinued operations	–	–	–	–	5	84	**89**
Net profit after tax - "cash basis" [2]	2,196	1,335	423	542	(605)	84	**3,975**
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	(7)	(14)	–	–	289	642	**910**
Hedging and IFRS volatility	–	–	–	(52)	44	–	**(8)**
Net profit after tax - "statutory basis"	2,189	1,321	423	490	(272)	726	**4,877**
Additional information							
Amortisation and depreciation	(75)	(86)	(33)	(66)	(507)	–	**(767)**
Balance Sheet							
Total assets	432,646	185,611	174,724	102,663	160,273	1,817	**1,057,734**
Total liabilities	299,351	183,002	181,500	95,561	214,691	8,626	**982,731**

1 Information has been presented on a continuing operations basis unless otherwise stated.

2 These amounts exclude non-cash items, such as unrealised gain and losses relating to hedging and IFRS volatility, and gains and losses, post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs associated with previously announced divestments.

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 30 June 2020 [1,2]						
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	IFS and Corporate Centre $M	Wealth Management $M	Total $M
Net interest income	4,837	2,579	707	970	167	–	**9,260**
Other banking income:							
Commissions	574	447	74	131	10	–	**1,236**
Lending fees	81	214	180	31	(3)	–	**503**
Trading and other income	184	98	117	14	142	–	**555**
Total other banking income	839	759	371	176	149	–	**2,294**
Total banking income	5,676	3,338	1,078	1,146	316	–	**11,554**
Funds management income	16	–	–	65	(6)	–	**75**
Insurance income	111	–	–	–	(2)	–	**109**
Total operating income	5,803	3,338	1,078	1,211	308	–	**11,738**
Operating expenses	(2,352)	(1,245)	(527)	(541)	(1,024)	–	**(5,689)**
Loan impairment (expense)/benefit	(768)	(550)	(286)	(271)	6	–	**(1,869)**
Net profit/(loss) before tax	2,683	1,543	265	399	(710)	–	**4,180**
Corporate tax (expense)/benefit	(797)	(464)	(97)	(111)	229	–	**(1,240)**
Non-controlling interests	–	–	–	–	–	–	**–**
Net profit/(loss) after tax from continuing operations - "cash basis"	1,886	1,079	168	288	(481)	–	**2,940**
Net profit after tax from discontinued operations	–	–	–	–	5	10	**15**
Net profit/(loss) after tax - "cash basis" [3]	1,886	1,079	168	288	(476)	10	**2,955**
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	(8)	(17)	–	(1)	160	327	**461**
Hedging and IFRS volatility	–	–	–	159	(102)	–	**57**
Net profit/(loss) after tax - "statutory basis"	1,878	1,062	168	446	(418)	337	**3,473**
Additional information							
Amortisation and depreciation	(88)	(100)	(39)	(63)	(507)	–	**(797)**
Balance Sheet							
Total assets	420,430	182,647	171,568	98,539	139,203	1,673	**1,014,060**
Total liabilities	284,351	160,956	185,907	91,796	210,113	8,924	**942,047**

1 Information has been presented on a continuing operations basis unless otherwise stated.
2 Comparative information has been restated to conform to the presentation in the current period.
3 These amounts exclude non-cash items, such as unrealised gain and losses relating to hedging and IFRS volatility, and gains and losses, post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs associated with previously announced divestments.

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 31 December 2019 [1, 2]						
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	IFS and Corporate Centre $M	Wealth Management $M	Total $M
Net interest income	4,859	2,712	676	964	139	–	**9,350**
Other banking income:							
Commissions	681	400	79	156	5	–	**1,321**
Lending fees	82	218	155	32	(4)	–	**483**
Trading and other income	103	112	288	11	225	–	**739**
Other banking income	866	730	522	199	226	–	**2,543**
Total banking income	5,725	3,442	1,198	1,163	365	–	**11,893**
Funds management income	51	–	–	71	(24)	–	**98**
Insurance income	33	–	–	–	(1)	–	**32**
Total operating income	5,809	3,442	1,198	1,234	340	–	**12,023**
Operating expenses	(2,321)	(1,213)	(494)	(480)	(698)	–	**(5,206)**
Loan impairment expense	(266)	(234)	(67)	(21)	(61)	–	**(649)**
Net profit/(loss) before tax	3,222	1,995	637	733	(419)	–	**6,168**
Corporate tax (expense)/benefit	(966)	(600)	(172)	(204)	130	–	**(1,812)**
Non-controlling interests	–	–	–	–	–	–	**–**
Net profit/(loss) after tax from continuing operations - "cash basis"	2,256	1,395	465	529	(289)	–	**4,356**
Net profit after tax from discontinued operations	–	–	–	–	11	127	**138**
Net profit/(loss) after tax - "cash basis" [3]	2,256	1,395	465	529	(278)	127	**4,494**
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	49	1	–	9	1	1,571	**1,631**
Hedging and IFRS volatility	–	–	–	(33)	69	–	**36**
Net profit/(loss) after tax - "statutory basis"	2,305	1,396	465	505	(208)	1,698	**6,161**
Additional information							
Amortisation and depreciation	(106)	(89)	(29)	(61)	(707)	–	**(992)**
Balance Sheet							
Total assets	415,151	180,806	160,630	96,844	123,098	3,339	**979,868**
Total liabilities	272,662	146,427	164,703	90,432	225,820	8,671	**908,715**

1 Information has been presented on a continuing operations basis unless otherwise stated.
2 Comparative information has been restated to conform to the presentation in the current period.
3 These amounts exclude non-cash items, such as unrealised gain and losses relating to hedging and IFRS volatility, and gains and losses, post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs associated with previously announced divestments.

2.4 Financial Reporting by Segments (continued)

Geographical Information Financial Performance and Position	Half Year Ended[1] 31 Dec 20 $M	 31 Dec 20 %	 31 Dec 19 $M	 31 Dec 19 %
Income				
Australia	**10,200**	**85. 8**	10,371	85. 9
New Zealand	**1,289**	**10. 8**	1,255	10. 4
Other locations [2]	**407**	**3. 4**	448	3. 7
Total Income	**11,896**	**100. 0**	12,074	100. 0
Non-Current Assets [3]				
Australia	**14,183**	**92. 9**	14,887	93. 1
New Zealand	**841**	**5. 5**	872	5. 5
Other locations [2]	**252**	**1. 6**	229	1. 4
Total non-current assets	**15,276**	**100. 0**	15,988	100. 0

1 Information is presented on a continuing operations basis. For details on the Group's discontinued operations refer to Note 7.3.
2 Other locations include: United Kingdom, the Netherlands, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, Vietnam and India.
3 Non-current assets include Property, plant and equipment, Investments in associates and joint ventures, and Intangible assets.

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

Accounting Policy

Operating segments are reported based on the Group's organisational and management structures. Senior management review the Group's internal reporting based on 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.

2.5 Income Tax Expense

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Profit before income tax	**5,387**	4,265	6,214
Prima facie income tax at 30%	**1,616**	1,280	1,864
Effect of amounts which are non-deductible/(non-assessable) in calculating taxable income:			
Offshore tax rate differential	**(20)**	(5)	(11)
Offshore banking unit	**(3)**	(3)	(16)
Income tax over provided in previous years	**–**	(17)	(36)
Gains/(losses) on disposals	**4**	(8)	(66)
Other	**13**	11	27
Total income tax expense	**1,610**	1,258	1,762
Effective tax rate (%)	**29. 9**	29. 5	28. 4

Accounting Policy

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

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

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

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

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available for it to be used against. The Group recognised and disclosed separate deferred tax assets and deferred tax liabilities arising from arrangements where the Group is a 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 via statutory asset transfer and deregistration. The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations of 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.

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 the credit risk arising from the potential that borrowers will fail to meet their obligations in accordance with agreed lending terms.

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

3.1 Loans, Bills Discounted and Other Receivables

	As at		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Australia			
Overdrafts	**25,005**	27,593	26,762
Home loans [1, 2]	**498,305**	485,795	477,701
Credit card outstandings	**8,998**	9,005	10,942
Lease financing	**3,891**	4,073	4,258
Bills discounted	**6**	354	1,061
Term loans and other lending	**148,367**	146,225	142,214
Total Australia	**684,572**	673,045	662,938
New Zealand			
Overdrafts	**948**	1,024	1,132
Home loans [1, 2]	**60,421**	56,361	56,555
Credit card outstandings	**973**	911	1,106
Lease financing	**1**	6	7
Term loans and other lending	**30,132**	29,416	30,414
Total New Zealand	**92,475**	87,718	89,214
Other Overseas			
Overdrafts	**358**	457	537
Home loans	**592**	724	834
Term loans and other lending	**14,962**	16,731	17,860
Total Other Overseas	**15,912**	17,912	19,231
Gross loans, bills discounted and other receivables	**792,959**	778,675	771,383
Less:			
Provisions for Loan Impairment:			
Collective provision	**(5,806)**	(5,277)	(3,980)
Individually assessed provisions	**(872)**	(967)	(959)
Unearned income:			
Term loans	**(639)**	(627)	(667)
Lease financing	**(213)**	(257)	(313)
	(7,530)	(7,128)	(5,919)
Net loans, bills discounted and other receivables	**785,429**	771,547	765,464

1 Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further detail on these residential mortgages is disclosed in Note 4.4 of the 2020 Annual Financial Report.

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

3.1 Loans, Bills Discounted and Other Receivables (continued)

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 of the 2020 Annual Financial Report.

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

Critical accounting judgements and estimates

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

3.2 Provisions for Impairment and Asset Quality

The following table provides information about movements in the Group's provision for impairment losses.

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Provision for impairment losses			
Collective provision			
Opening balance	**5,396**	4,067	3,904
Net collective provision funding	**768**	1,597	446
Impairment losses written off	**(300)**	(357)	(406)
Impairment losses recovered	**69**	84	101
Other	**10**	5	22
Closing balance	**5,943**	5,396	4,067
Individually assessed provisions			
Opening balance	**967**	959	895
Net new and increased individual provisioning	**236**	371	287
Write-back of provisions no longer required	**(122)**	(99)	(84)
Discount unwind to interest income	**(7)**	(5)	(11)
Impairment losses written off	**(201)**	(281)	(163)
Other	**(1)**	22	35
Closing balance	**872**	967	959
Total provisions for impairment losses	**6,815**	6,363	5,026
Less: Provision for Off Balance Sheet exposures	**(137)**	(119)	(87)
Total provisions for loan impairment	**6,678**	6,244	4,939

3.2 Provisions for Impairment and Asset Quality (continued)

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Loan impairment expense			
Net collective provision funding	**768**	1,597	446
Net new and increased individual provisioning	**236**	371	287
Write-back of individually assessed provisions	**(122)**	(99)	(84)
Total loan impairment expense	**882**	1,869	649

	As at		
	31 Dec 20	30 Jun 20	31 Dec 19
	%	%	%
Provision ratios			
Total provisions for impaired assets as a % of gross impaired assets	**38. 07**	35. 37	36. 12
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 86**	0. 82	0. 65

Movement in provisions for impairment and credit exposures by ECL stage

The following table provides movements in the Group's impairment provisions and credit exposures by expected credit loss (ECL) stage for the half years ended 31 December 2020, 30 June 2020 and 31 December 2019.

Movements in credit exposures and provisions for impairment in the following tables represent the sum of monthly movements over the half-year periods 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.

3.2 Provisions for Impairment and Asset Quality (continued)

	Group[1]							
	Stage 1 [2] Collectively assessed		Stage 2 [3] Collectively assessed		Stage 3 [4] Collectively and individually assessed		Total	
	Gross exposure $M	ECL $M	Gross exposure $M	ECL $M	Gross exposure $M	ECL $M	Gross exposure $M	ECL $M
Opening balance as at 1 July 2019	**747,769**	**905**	**164,292**	**2,519**	**6,697**	**1,375**	**918,758**	**4,799**
Transfers to/(from)								
Stage 1	53,771	650	(53,751)	(648)	(20)	(2)	–	–
Stage 2	(66,060)	(251)	67,971	432	(1,911)	(181)	–	–
Stage 3	(289)	(4)	(3,389)	(184)	3,678	188	–	–
Net re-measurement on transfers between stages	–	(520)	–	601	–	244	–	**325**
Net financial assets originated	31,521	138	(18,250)	(369)	(1,265)	(90)	**12,006**	**(321)**
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	174	–	**174**
Movements due to risk parameters and other changes	–	39	–	256	–	176	–	**471**
Loan impairment expense for the period		52		88		509		**649**
Write-offs	–	–	–	–	(569)	(569)	**(569)**	**(569)**
Recoveries	–	–	–	–	–	101	–	**101**
Foreign exchange and other movements	1,454	8	233	7	(32)	31	**1,655**	**46**
Closing balance as at 31 December 2019	**768,166**	**965**	**157,106**	**2,614**	**6,578**	**1,447**	**931,850**	**5,026**
Transfers to/(from)								
Stage 1	41,797	734	(41,711)	(724)	(86)	(10)	–	–
Stage 2	(116,092)	(354)	118,125	548	(2,033)	(194)	–	–
Stage 3	(499)	(4)	(3,746)	(229)	4,245	233	–	–
Net re-measurement on transfers between stages	–	(559)	–	1,044	–	291	–	**776**
Net financial assets originated	43,794	207	(30,938)	(396)	(1,086)	(98)	**11,770**	**(287)**
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	225	–	**225**
Movements due to risk parameters and other changes	–	579	–	480	–	96	–	**1,155**
Loan impairment expense for the period		603		723		543		**1,869**
Write-offs	–	–	–	–	(638)	(638)	**(638)**	**(638)**
Recoveries	–	–	–	–	–	84	–	**84**
Foreign exchange and other movements	(1,889)	1	(293)	9	(45)	12	**(2,227)**	**22**
Closing balance as at 30 June 2020	**735,277**	**1,569**	**198,543**	**3,346**	**6,935**	**1,448**	**940,755**	**6,363**
Transfers to/(from)								
Stage 1	88,910	925	(88,840)	(921)	(70)	(4)	–	–
Stage 2	(95,047)	(439)	96,971	739	(1,924)	(300)	–	–
Stage 3	(382)	(5)	(3,160)	(252)	3,542	257	–	–
Net re-measurement on transfers between stages	–	(571)	–	466	–	314	–	**209**
Net financial assets originated	55,085	205	(24,260)	(438)	(1,183)	(108)	**29,642**	**(341)**
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	50	–	**50**
Movements due to risk parameters and other changes	–	(5)	–	545	–	424	–	**964**
Loan impairment expense for the period		110		139		633		**882**
Write-offs	–	–	–	–	(501)	(501)	**(501)**	**(501)**
Recoveries	–	–	–	–	–	69	–	**69**
Foreign exchange and other movements	(2,291)	3	(744)	6	(69)	(7)	**(3,104)**	**2**
Closing balance as at 31 December 2020	**781,552**	**1,682**	**178,510**	**3,491**	**6,730**	**1,642**	**966,792**	**6,815**

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

2 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 31 December 2020, collective provisions in Stage 1 include $14 million in relation to these financial assets (30 June 2020: $12 million; 31 December 2019: $10 million).

3 The assessment of SICR includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 57% of Stage 2 exposures as at 31 December 2020 (30 June 2020: 65%; 31 December 2019: 64%).

4 As at 31 December 2020, Stage 3 includes $4,765 million of collectively assessed (30 June 2020: $4,598 million; 31 December 2019: $4,460 million) and $1,965 million of individually assessed credit exposures (30 June 2020: $2,337 million; 31 December 2019: $2,118 million). Stage 3 provisions for impairment include $770 million of collective provisions (30 June 2020: $481 million; 31 December 2019: $488 million) and $872 million of individually assessed provisions (30 June 2020: $967 million; 31 December 2019: $959 million).

3.2 Provisions for Impairment and Asset Quality (continued)

Accounting Policy

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 impairment is required.

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

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

The assessment of SICR includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 57% of Stage 2 exposures as at 31 December 2020 (30 June 2020: 65%, 31 December 2019: 64%).

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.

3.2 Provisions for Impairment and Asset Quality (continued)

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

The offer or uptake of an initial COVID-19 related repayment deferral does not itself constitute a SICR event unless the exposure is considered to have experienced a SICR based on other available information. During the period the Group completed its reassessment of the internal credit risk ratings for non-retail exposures in segments most impacted by COVID-19, including those on repayment deferrals, to determine if changes in customers' circumstances were sufficient to constitute SICR. Subsequent to an initial deferral some customers have been provided with a further deferral extension or other contract modification such as a term extension, or switch from principal and interest repayments to interest only repayments. Where an extension of a deferral is granted or a modification is given outside of commercial terms those exposures are considered to have experienced a SICR event. Modifications that are routinely offered in the normal course of business, such as interest only switches, do not therefore constitute a SICR event.

Definition of default, impaired and write-offs

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

Facilities are classified as impaired where there is doubt as to whether the full amounts due, including interest and other contractual 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;
- **Non-retail lending:** Corporate Risk rated model, Asset Finance model, Retail SME model.

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

- **Probability of default (PD):** The likelihood that a debtor will be unable to pay its obligations in full without having to take actions such as realising 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.

3.2 Provisions for Impairment and Asset Quality (continued)

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 and other 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 macroeconomic 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, stronger growth in house prices, business investment, disposable income and the share market as well as modest increases in interest rates over the medium term.
- **Severe downside scenario:** This scenario 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 31 December 2020.

	Central Calendar year			Downside Calendar year		
	2021	2022	2023	2021	2022	2023
GDP [1]	100. 8	104. 8	108. 0	93. 2	95. 8	98. 2
Unemployment rate (%) [2]	6. 5	6. 0	5. 5	10. 4	9. 3	8. 0
Cash rate (%) [2]	0. 10	0. 10	0. 10	0. 10	0. 10	0. 10
House prices (annual % change)	8. 0	4. 0	4. 5	(15. 0)	(5. 0)	1. 0
Business investment (annual % change)	4. 0	9. 0	4. 2	(10. 0)	(1. 2)	2. 5
AUD/USD exchange rate [2]	0. 78	0. 77	0. 77	0. 65	0. 65	0. 65
Disposable income (annual % change)	2. 4	1. 8	2. 0	(3. 8)	(0. 7)	1. 0
ASX 200 (annual % change)	12. 3	5. 5	4. 2	(15. 0)	2. 3	3. 4
NZ unemployment rate (%) [2]	6. 1	5. 6	5. 4	9. 5	7. 0	6. 5
NZ cash rate (%) [2]	0. 25	0. 25	0. 50	(0. 25)	(0. 25)	(0. 25)
NZ house prices (annual % change)	8. 9	6. 1	6. 4	(15. 0)	(5. 0)	1. 4

1 Indexed to December 2019.
2 Spot rate at December 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 macroeconomic scenarios as described above.

Notwithstanding improvements in the base case economic outlook over the half year ended 31 December 2020, the Group has revised the weightings used in the multiple economic scenarios to reflect management's assessment of sector-specific risks posed by continued uncertainty in relation to the potential impacts of COVID-19, fiscal measures and emerging geopolitical issues. In addition, the ECL attributable to forward looking adjustments has increased over the half year ended 31 December 2020.

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

Incorporation of experienced credit judgement

Management exercises credit judgement in assessing if an exposure has experienced SICR and in determining the amount of impairment provisions at each reporting date. Where applicable, credit risk factors (PD and LGD) are adjusted upwards to incorporate reasonable and supportable forward looking information about known or expected risks for specific segments of portfolios that would otherwise not have been considered in the modelling process. Credit judgement is used to determine the degree of adjustment to be applied and considers information such as emerging risks at an industry, geographical and portfolio segment level.

3.2 Provisions for Impairment and Asset Quality (continued)

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 an unbiased probability-weighted range of possible future outcomes in estimating ECL.

The table below provides approximate levels of provisions for impairment under the Central and Downside scenarios 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.

	31 Dec 20	30 Jun 20
	$M	$M
100% Central scenario	5,022	5,262
100% Downside scenario	8,978	9,014

Sensitivity of provisions for impairment to SICR assessment criteria

If 1% of Stage 1 credit exposures as at 31 December 2020 was included in Stage 2, provisions for impairment would increase by approximately $136 million (30 June 2020: $108 million).

If 1% of Stage 2 credit exposures as at 31 December 2020 was included in Stage 1, provisions for impairment would decrease by approximately $31 million (30 June 2020: $29 million).

Modifications relating to COVID-19

The Group has extended a number of support measures to customers impacted by COVID-19, including loan repayment deferrals, switches from principal and interest repayments to interest only repayments and other modifications including the extension of loan maturity dates. The Bank recognised approximately $270 million of interest related to retail loans in deferral (June 2020: $310 million) and approximately $15 million of interest related to non-retail loans in deferral (June 2020: $150 million). Deferral extensions were treated as non-substantial modifications and therefore accounted for as a continuation of the existing loan with no material modification gains or losses having been recognised. Other contract modifications are treated as substantial or non-substantial based on the terms on which they are granted.

During the half year ended 31 December 2020 loans with a gross carrying value of approximately $10,303 million were granted COVID-19 related repayment deferrals or other contractual modifications when they were included in either Stage 2 or Stage 3 (30 June 2020: $26,886 million). Loans with a gross carrying value of approximately $23,281 million, that were subject to COVID-19 related modifications when in Stage 2 or Stage 3, remained in either Stage 2 or Stage 3 at 31 December 2020 (30 June 2020: $25,179 million).

The following table provides a summary of gross carrying values of credit exposures subject to COVID-19 related modifications.

3.2 Provisions for Impairment and Asset Quality (continued)

	31 Dec 20 $M	30 Jun 20 [1] $M
Retail secured		
Stage 1	**5,069**	35,777
Stage 2	**14,497**	20,028
Stage 3	**342**	1,304
Total retail secured	**19,908**	**57,109**
Retail unsecured		
Stage 1	**277**	588
Stage 2	**11**	128
Stage 3	**7**	20
Total retail unsecured	**295**	**736**
Non–retail		
Stage 1	**426**	6,717
Stage 2	**2,033**	10,144
Stage 3	**139**	252
Total non-retail	**2,598**	**17,113**
Total credit exposures		
Stage 1	**5,772**	43,082
Stage 2	**16,541**	30,300
Stage 3	**488**	1,576
Total	**22,801**	**74,958**

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

The majority of credit exposures subject to COVID-19 related modifications are secured. The Group takes into account market values of available collateral in calculating provisions for impairment. As at 31 December 2020, the provision for impairment held by the Group in relation to credit exposures subject to COVID-19 related modifications was $323 million (30 June 2020: $818 million).

3.2 Provisions for Impairment and Asset Quality (continued)

Asset Quality

The tables below provide information about the credit quality of the Group's assets.

	As at 31 December 2020				
	Home Loans $M	Other Personal [1] $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired					
Investment Grade	327,637	4,437	1,882	90,457	**424,413**
Pass Grade	215,689	11,323	8,423	106,920	**342,355**
Weak	4,846	967	500	4,562	**10,875**
Total loans which were neither past due nor impaired	548,172	16,727	10,805	201,939	**777,643**
Loans which were past due but not impaired [2]					
Past due 1 - 29 days	4,640	342	119	1,005	**6,106**
Past due 30 - 59 days	1,673	106	33	235	**2,047**
Past due 60 - 89 days	879	70	19	92	**1,060**
Past due 90 - 179 days	1,223	9	2	132	**1,366**
Past due 180 days or more	1,281	9	1	465	**1,756**
Total loans past due but not impaired	9,696	536	174	1,929	**12,335**

1 Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.
2 Includes assets in Stage 3 that have defaulted, but have not been classified as credit impaired as the loans are well secured and expected to be recovered.

	As at 30 June 2020				
	Home Loans $M	Other Personal [1] $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired					
Investment Grade	316,878	4,095	1,793	93,837	**416,603**
Pass Grade	209,952	12,988	8,698	103,537	**335,175**
Weak	4,118	1,370	302	4,534	**10,324**
Total loans which were neither past due nor impaired	530,948	18,453	10,793	201,908	**762,102**
Loans which were past due but not impaired [2]					
Past due 1 - 29 days	4,343	484	171	829	**5,827**
Past due 30 - 59 days	1,964	152	78	258	**2,452**
Past due 60 - 89 days	1,246	160	45	100	**1,551**
Past due 90 - 179 days	1,369	29	3	158	**1,559**
Past due 180 days or more	1,341	16	1	444	**1,802**
Total loans past due but not impaired	10,263	841	298	1,789	**13,191**

1 Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.
2 Includes assets in Stage 3 that have defaulted, but have not been classified as credit impaired as the loans are well secured and expected to be recovered.

3.2 Provisions for Impairment and Asset Quality (continued)

	As at 31 December 2019				
	Home Loans $M	Other Personal [1] $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired					
Investment Grade	313,199	4,319	727	93,310	**411,555**
Pass Grade	197,186	13,930	7,054	105,089	**323,259**
Weak	12,129	1,609	306	4,682	**18,726**
Total loans which were neither past due nor impaired	522,514	19,858	8,087	203,081	**753,540**
Loans which were past due but not impaired [2]					
Past due 1 - 29 days	5,541	725	162	1,585	**8,013**
Past due 30 - 59 days	1,787	196	39	205	**2,227**
Past due 60 - 89 days	919	119	18	98	**1,154**
Past due 90 - 179 days	1,196	19	1	227	**1,443**
Past due 180 days or more	1,283	9	–	419	**1,711**
Total loans past due but not impaired	10,726	1,068	220	2,534	**14,548**

1 Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.

2 Includes assets in Stage 3 that have defaulted, but have not been classified as credit impaired as the loans are well secured and expected to be recovered.

The following tables provide information about the Group's impaired assets.

	Half Year Ended		
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M
Movement in gross impaired assets			
Gross impaired assets - opening balance	**3,548**	3,383	3,622
New and increased	**799**	1,299	1,332
Balances written off	**(444)**	(579)	(475)
Returned to performing or repaid	**(977)**	(879)	(1,342)
Portfolio managed - new/increased/return to performing/repaid	**174**	324	246
Gross impaired assets - closing balance [1,2]	**3,100**	3,548	3,383

	As at		
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M
Impaired assets by size of asset			
Less than $1 million	**1,305**	1,846	1,949
$1 million to $10 million	**755**	790	789
Greater than $10 million	**1,040**	912	645
Gross impaired assets [1,2]	**3,100**	3,548	3,383
Less total provisions for impaired assets [3]	**(1,180)**	(1,255)	(1,222)
Net impaired assets	**1,920**	2,293	2,161

1 As at 31 December 2020, impaired assets include those assets in Stage 3 that are considered impaired, as well as $136 million of restructured assets in Stage 2 (30 June 2020: $77 million; 31 December 2019: $42 million). Provisions for impaired assets include $10 million for restructured assets in Stage 2 (30 June 2020: nil; 31 December 2019: $3 million).

2 Includes $2,981 million of loans and advances and $119 million of other financial assets (30 June 2020: $3,382 million of loans and advances and $166 million of other financial assets; 31 December 2019: $3,295 million of loans and advances and $88 million of other financial assets).

3 Includes $872 million of individually assessed provisions and $308 million of collective provisions (30 June 2020: $967 million of individually assessed provisions and $288 million of collective provisions; 31 December 2019: $959 million of individually assessed provisions and $263 million of collective provisions).

3.2 Provisions for Impairment and Asset Quality (continued)

Distribution of financial instruments by credit quality

The following tables provide information about the gross carrying amount of the Group's credit exposures by credit grade and ECL stage. For the definition of the Group's credit grades refer to Note 9.2 of the 2020 Annual Report.

	31 Dec 20				
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Loans, bills and discounted and other receivables					
Credit grade					
Investment	399,537	29,432	–	–	**428,969**
Pass	232,793	109,483	–	–	**342,276**
Weak	2,697	11,656	4,649	1,860	**20,862**
Gross carrying amount	**635,027**	**150,571**	**4,649**	**1,860**	**792,107**
Undrawn credit commitments					
Credit grade					
Investment	94,282	9,295	–	–	**103,577**
Pass	39,144	11,502	–	–	**50,646**
Weak	244	1,232	94	33	**1,603**
Total undrawn credit commitments	**133,670**	**22,029**	**94**	**33**	**155,826**
Total credit exposures	**768,697**	**172,600**	**4,743**	**1,893**	**947,933**
Impairment provision	**1,651**	**3,387**	**768**	**872**	**6,678**
Provisions to credit exposure, %	**0. 2**	**2. 0**	**16. 2**	**46. 1**	**0. 7**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	9,400	1,028	–	–	**10,428**
Pass	3,427	4,527	–	–	**7,954**
Weak	28	355	22	72	**477**
Total financial guarantees and other off Balance Sheet instruments	**12,855**	**5,910**	**22**	**72**	**18,859**
Impairment provision	**31**	**104**	**2**	**–**	**137**
Provisions to credit exposure, %	**0. 2**	**1. 8**	**9. 1**	**–**	**0. 7**
Total credit exposures					
Credit grade					
Investment	503,219	39,755	–	–	**542,974**
Pass	275,364	125,512	–	–	**400,876**
Weak	2,969	13,243	4,765	1,965	**22,942**
Total credit exposures	**781,552**	**178,510**	**4,765**	**1,965**	**966,792**
Total impairment provision	**1,682**	**3,491**	**770**	**872**	**6,815**
Provisions to credit exposure, %	**0. 2**	**2. 0**	**16. 2**	**44. 4**	**0. 7**

1 The assessment of SICR includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 57% of Stage 2 exposures as at 31 December 2020.

3.2 Provisions for Impairment and Asset Quality (continued)

	31 Dec 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	371,066	16,289	–	–	**387,355**
Pass	204,337	37,477	–	–	**241,814**
Weak	1,572	6,174	3,357	687	**11,790**
Total retail secured	**576,975**	**59,940**	**3,357**	**687**	**640,959**
Impairment provision	**798**	**644**	**435**	**203**	**2,080**
Provisions to credit exposure, %	**0. 1**	**1. 1**	**13. 0**	**29. 5**	**0. 3**
Retail unsecured					
Credit grade					
Investment	14,897	1,449	–	–	**16,346**
Pass	11,902	2,219	–	–	**14,121**
Weak	742	965	209	8	**1,924**
Total retail unsecured	**27,541**	**4,633**	**209**	**8**	**32,391**
Impairment provision	**516**	**791**	**187**	**5**	**1,499**
Provisions to credit exposure, %	**1. 9**	**17. 1**	**89. 5**	**62. 5**	**4. 6**
Non-retail					
Credit grade					
Investment	117,256	22,017	–	–	**139,273**
Pass	59,125	85,816	–	–	**144,941**
Weak	655	6,104	1,199	1,270	**9,228**
Total non-retail	**177,036**	**113,937**	**1,199**	**1,270**	**293,442**
Impairment provision	**368**	**2,056**	**148**	**664**	**3,236**
Provisions to credit exposure, %	**0. 2**	**1. 8**	**12. 3**	**52. 3**	**1. 1**
Total credit exposures					
Credit grade					
Investment	503,219	39,755	–	–	**542,974**
Pass	275,364	125,512	–	–	**400,876**
Weak	2,969	13,243	4,765	1,965	**22,942**
Total credit exposures	**781,552**	**178,510**	**4,765**	**1,965**	**966,792**
Impairment provision	**1,682**	**3,491**	**770**	**872**	**6,815**
Provisions to credit exposure, %	**0. 2**	**2. 0**	**16. 2**	**44. 4**	**0. 7**

1 The assessment of SICR includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 57% of Stage 2 exposures as at 31 December 2020.

3.2 Provisions for Impairment and Asset Quality (continued)

	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
Loans, bills and discounted and other receivables					
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 as at 30 June 2020.

3.2 Provisions for Impairment and Asset Quality (continued)

	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	193,030	35,643	–	–	**228,673**
Weak	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 as at 30 June 2020.

3.2 Provisions for Impairment and Asset Quality (continued)

	31 Dec 19				
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively assessed $M	Stage 3 individually assessed $M	Total $M
Loans, bills and discounted and other receivables					
Credit grade					
Investment	388,914	26,137	–	–	**415,051**
Pass	243,835	82,002	–	–	**325,837**
Weak	7,862	15,250	4,362	2,041	**29,515**
Gross carrying amount	**640,611**	**123,389**	**4,362**	**2,041**	**770,403**
Undrawn credit commitments					
Credit grade					
Investment	78,409	14,954	–	–	**93,363**
Pass	35,372	12,311	–	–	**47,683**
Weak	303	639	73	77	**1,092**
Total undrawn credit commitments	**114,084**	**27,904**	**73**	**77**	**142,138**
Total credit exposures	**754,695**	**151,293**	**4,435**	**2,118**	**912,541**
Impairment provision	**956**	**2,542**	**482**	**959**	**4,939**
Provisions to credit exposure, %	**0. 1**	**1. 7**	**10. 9**	**45. 3**	**0. 5**
Financial guarantees and other off Balance Sheet instruments					
Credit grade					
Investment	9,859	1,773	–	–	**11,632**
Pass	3,570	3,807	–	–	**7,377**
Weak	42	233	25	–	**300**
Total financial guarantees and other off Balance Sheet instruments	**13,471**	**5,813**	**25**	**–**	**19,309**
Impairment provision	**9**	**72**	**6**	**–**	**87**
Provisions to credit exposure, %	**0. 1**	**1. 2**	**24. 0**	**–**	**0. 5**
Total credit exposures					
Credit grade					
Investment	477,182	42,864	–	–	**520,046**
Pass	282,777	98,120	–	–	**380,897**
Weak	8,207	16,122	4,460	2,118	**30,907**
Total credit exposures	**768,166**	**157,106**	**4,460**	**2,118**	**931,850**
Total impairment provision	**965**	**2,614**	**488**	**959**	**5,026**
Provisions to credit exposure, %	**0. 1**	**1. 7**	**10. 9**	**45. 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 64% of Stage 2 credit exposures as at 31 December 2019.

3.2 Provisions for Impairment and Asset Quality (continued)

	31 Dec 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	339,739	23,896	–	–	**363,635**
Pass	193,305	29,388	–	–	**222,693**
Weak	6,767	9,442	3,052	884	**20,145**
Total retail secured	**539,811**	**62,726**	**3,052**	**884**	**606,473**
Impairment provision	**317**	**399**	**173**	**280**	**1,169**
Provisions to credit exposure, %	**0. 1**	**0. 6**	**5. 7**	**31. 7**	**0. 2**
Retail unsecured					
Credit grade					
Investment	13,881	2,669	–	–	**16,550**
Pass	13,979	3,182	–	–	**17,161**
Weak	1,046	1,224	250	11	**2,531**
Total retail unsecured	**28,906**	**7,075**	**250**	**11**	**36,242**
Impairment provision	**463**	**925**	**187**	**2**	**1,577**
Provisions to credit exposure, %	**1. 6**	**13. 1**	**74. 8**	**18. 2**	**4. 4**
Non–retail					
Credit grade					
Investment	123,562	16,299	–	–	**139,861**
Pass	75,493	65,550	–	–	**141,043**
Weak	394	5,456	1,158	1,223	**8,231**
Total non-retail	**199,449**	**87,305**	**1,158**	**1,223**	**289,135**
Impairment provision	**185**	**1,290**	**128**	**677**	**2,280**
Provisions to credit exposure, %	**0. 1**	**1. 5**	**11. 1**	**55. 4**	**0. 8**
Total credit exposures					
Credit grade					
Investment	477,182	42,864	–	–	**520,046**
Pass	282,777	98,120	–	–	**380,897**
Weak	8,207	16,122	4,460	2,118	**30,907**
Total credit exposures	**768,166**	**157,106**	**4,460**	**2,118**	**931,850**
Impairment provision	**965**	**2,614**	**488**	**959**	**5,026**
Provisions to credit exposure, %	**0. 1**	**1. 7**	**10. 9**	**45. 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 64% of Stage 2 credit exposures as at 31 December 2019.

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 its business growth.

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 of the 2020 Annual Report for the Group's management of liquidity and funding risk.

4.1 Deposits and Other Public Borrowings

	As at		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Australia			
Certificates of deposit	**25,379**	30,126	26,067
Term deposits	**124,950**	129,338	146,168
On-demand and short-term deposits	**398,998**	371,165	326,839
Deposits not bearing interest	**84,025**	69,143	56,261
Securities sold under agreements to repurchase	**20,848**	14,717	19,580
Total Australia	**654,200**	614,489	574,915
New Zealand			
Certificates of deposit	**3,489**	3,758	3,235
Term deposits	**26,167**	30,717	32,498
On-demand and short-term deposits	**32,100**	27,406	23,531
Deposits not bearing interest	**9,815**	7,588	6,326
Securities sold under agreements to repurchase	**–**	93	381
Total New Zealand	**71,571**	69,562	65,971
Other Overseas			
Certificates of deposit	**10,409**	9,911	13,895
Term deposits	**3,610**	4,691	6,531
On-demand and short-term deposits	**840**	1,090	1,087
Deposits not bearing interest	**51**	189	40
Securities sold under agreements to repurchase	**5,785**	2,067	385
Total Other Overseas	**20,695**	17,948	21,938
Total deposits and other public borrowings	**746,466**	701,999	662,824

Accounting Policy

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.

5. 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.

5.1 Shareholders' Equity

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Ordinary share capital			
Shares on issue:			
Opening balance	**38,282**	38,282	38,283
Dividend reinvestment plan (net of issue costs) [1, 2]	**264**	–	(1)
	38,546	38,282	38,282
Less treasury shares:			
Opening balance	**(151)**	(156)	(263)
Purchase of treasury shares [3]	**(62)**	(11)	(54)
Sale and vesting of treasury shares [3]	**84**	16	82
Decrease in treasury shares on deconsolidation of CommInsure Life	**–**	–	79
Total treasury shares	**(129)**	(151)	(156)
Closing balance	**38,417**	38,131	38,126
Retained profits			
Opening balance	**31,211**	31,066	28,482
Changes on adoption of AASB 16	**–**	–	(146)
Restated opening balance	**31,211**	31,066	28,336
Actuarial (losses)/gains from defined benefit superannuation plans	**(272)**	210	(94)
Realised gains and dividend income on treasury shares	**–**	–	13
Net profit attributable to equity holders of the Bank	**4,877**	3,473	6,161
Total available for appropriation	**35,816**	34,749	34,416
Transfers from general reserve [4]	**–**	–	733
Transfers from asset revaluation reserve	**6**	2	6
Transfer from foreign currency revaluation reserve [5]	**207**	–	–
Interim dividend - cash component	**–**	(3,021)	–
Interim dividend - dividend reinvestment plan [2]	**–**	(519)	–
Final dividend - cash component	**(1,471)**	–	(3,474)
Final dividend - dividend reinvestment plan [1, 2]	**(264)**	–	(615)
Closing Balance	**34,294**	31,211	31,066

1 The DRP in respect of the final 2019/2020 dividend was satisfied by the issue of 3,856,903 shares at $68.53. The total value of shares issued under the DRP rules net of issues costs was $264 million.

2 The DRP in respect of the interim 2019/2020 and final 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 7,080,363 shares at $73.37, and 7,810,285 shares at $78.61, respectively.

3 Relates to the movements in treasury shares held within the employee share scheme plans. Comparative periods also include movements in treasury shares held within life insurance statutory funds prior to deconsolidation of CommInsure Life on 1 November 2019.

4 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 during the half year ended 31 December 2019.

5 Relates to a historical Group restructuring.

5.1 Shareholders' Equity (continued)

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Reserves			
General reserve			
Opening balance	**–**	–	733
Transfer to retained profits [1]	**–**	–	(733)
Closing balance	**–**	–	–
Asset revaluation reserve			
Opening balance	**257**	242	246
Revaluation of properties	**–**	24	–
Transfer to retained profits	**(6)**	(2)	(6)
Income tax effect	**1**	(7)	2
Closing balance	**252**	257	242
Foreign currency translation reserve			
Opening balance	**678**	883	912
Transfer to retained profits [2]	**(207)**	–	–
Currency translation adjustments of foreign operations	**(320)**	(202)	(35)
Currency translation of net investment hedge	**9**	(8)	3
Income tax effect	**13**	5	3
Closing balance	**173**	678	883
Cash flow hedge reserve			
Opening balance	**1,513**	548	787
Gains/(losses) on cash flow hedging instruments:			
Recognised in other comprehensive income	**(1,045)**	1,524	(281)
Transferred to Income Statement:			
Interest income	**(1,221)**	(1,091)	(917)
Interest expense	**1,055**	1,027	827
Other banking income	**440**	(61)	17
Income tax effect	**252**	(434)	115
Closing balance	**994**	1,513	548
Employee compensation reserve			
Opening balance	**138**	96	161
Current period movement	**(74)**	42	(65)
Closing balance	**64**	138	96
Investment securities revaluation reserve			
Opening balance	**80**	141	253
Net gains/(losses) on revaluation of investment securities	**1,097**	(107)	(93)
Net gains on investment securities transferred to Income Statement on disposal	**(57)**	(5)	(44)
Income tax effect	**(316)**	51	25
Closing balance	**804**	80	141
Total Reserves	**2,287**	2,666	1,910
Shareholders' Equity attributable to Equity holders of the Bank	**74,998**	72,008	71,102
Shareholders' Equity attributable to Non-controlling interests	**5**	5	51
Total Shareholders' Equity	**75,003**	72,013	71,153

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 during the half year ended 31 December 2019.

2 Relates to a historical Group restructuring.

5.1 Shareholders' Equity (continued)

Accounting Policy

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 other 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 include the accumulated profits and 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 during the half year ended 31 December 2019.

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. 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 the Income Statement.

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 OCI. 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.

6. Fair Values

Overview

The Group holds a range of financial instruments as a result of its lending, investing and funding activities. Some of the financial instruments are actively traded on stock exchanges or in over-the-counter markets whilst others do not have liquid markets. This section provides information about fair values of the Group's financial instruments including a description of valuation methodologies used, the classification of financial instruments according to liquidity and the observability of inputs used in deriving the fair values.

6.1 Disclosures about Fair Values

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost.

(a) Fair Value Information for Financial Instruments not measured at Fair Value

The estimated fair values of the Group's financial instruments not measured at fair value as at 31 December 2020 are presented below.

	31 Dec 20		30 Jun 20	
	Carrying value $M	Fair Value $M	Carrying value $M	Fair Value $M
Financial assets				
Investment securities at amortised cost	**4,391**	**4,404**	5,173	5,160
Loans, bills discounted and other receivables	**785,429**	**787,694**	771,547	771,763
Financial liabilities				
Deposits and other public borrowings	**746,466**	**746,866**	701,999	702,438
Debt issues	**122,548**	**123,690**	142,503	142,466
Loan capital	**27,608**	**28,151**	27,357	26,711

(b) Fair Value Hierarchy for Financial Assets and Liabilities measured at Fair Value

The classification in the fair value hierarchy of the Group's financial assets and liabilities measured at fair value is presented in the table below. An explanation of how fair values are calculated and the levels in the fair value hierarchy are included in the accounting policy within this note.

	Fair Value as at 31 December 2020				Fair Value as at 30 June 2020			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	34,631	5,787	–	**40,418**	33,001	5,422	–	38,423
Other	76	10,042	166	**10,284**	77	7,992	53	8,122
Derivative assets	210	32,100	88	**32,398**	192	29,966	127	30,285
Investment securities at fair value through other comprehensive Income	68,710	20,089	873	**89,672**	60,336	18,648	565	79,549
Assets held for sale	–	253	–	**253**	–	260	–	260
Total financial assets measured at fair value	103,627	68,271	1,127	**173,025**	93,606	62,288	745	156,639
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	2,922	4,333	–	**7,255**	3,615	782	–	4,397
Derivative liabilities	65	33,391	26	**33,482**	69	31,248	30	31,347
Total financial liabilities measured at fair value	2,987	37,724	26	**40,737**	3,684	32,030	30	35,744

6.1 Disclosures about Fair Values (continued)

(c) Analysis of Movements between Fair Value Hierarchy Levels

During the half year ended 31 December 2020 there have been no reclassifications between Level 1 and Level 2.

The table below summarises movements in Level 3 balances during the half 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 half year ended 31 December 2020

	Financial Assets			Financial Liabilities
	Derivative Assets $M	Investment Securities at Fair Value through OCI $M	Assets at Fair Value through Income Statement $M	Derivative Liabilities $M
As at 30 June 2020	127	565	53	(30)
Purchases	–	–	113	–
Sales/Settlements	(18)	(2)	–	–
Gains/(losses) in the period:				
Recognised in the Income Statement	(2)	–	–	–
Recognised in the Statement of Comprehensive Income	–	307	–	4
Transfers in	–	3	–	–
Transfers out	(19)	–	–	–
Derecognised on deconsolidation of controlled entities	–	–	–	–
As at 31 December 2020	88	873	166	(26)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 31 December 2020	(8)	–	–	–

Accounting Policy

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.

6.1 Disclosures about Fair Values (continued)

Accounting Policy (continued)

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. 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, 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 financial institution and corporate bonds, certificates of deposit, commercial papers, mortgage-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and foreign currency 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 are certain exotic OTC derivatives and unlisted equity investments.

As at 31 December 2020, Level 3 investment securities at fair value through other comprehensive income include unlisted equity instruments of $813 million (30 June 2020: $506 million). The valuation of this investment is based on a methodology that leverages revenue multiples of market listed comparable entities and significant unobservable inputs including adjustments for marketability and liquidity. The range of revenue multiples applied by the Group as at 31 December 2020 was 12x-13x (30 June 2020: 9x-10x). The effect of adjusting these inputs by +/-15% representing a range of reasonably possible alternatives would be to increase the fair value by up to $122 million (30 June 2020: $75 million) or to decrease the fair value by up to $122 million (30 June 2020: $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 financial instruments. 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.

7. Other Information

7.1 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 7.2, in relation to litigation, investigations and reviews. The face (contract) value of credit risk related instruments as disclosed below represents the maximum potential 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, bills discounted and other receivables in the Balance Sheet should they be drawn upon by the customer.

	Face Value		Credit Equivalent	
	31 Dec 20	30 Jun 20	**31 Dec 20**	30 Jun 20
Credit risk related instruments	**$M**	$M	**$M**	$M
Guarantees	**6,086**	6,448	**4,840**	5,034
Documentary letters of credit	**142**	272	**110**	210
Performance related contingencies	**5,342**	5,071	**2,671**	2,535
Commitments to provide credit	**183,992**	168,537	**175,152**	159,761
Other commitments	**1,378**	2,015	**1,369**	2,005
Total credit risk related instruments	**196,940**	182,343	**184,142**	169,545

Accounting Policy

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. 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 disclosed in Note 3.1.

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 are provided in Note 3.2.

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters

Customer Remediation

Provisions for customer remediation require significant levels of estimation and judgement. The amount raised depends on a number of different assumptions, such as the number of years impacted, the forecast refund rate and the average cost per case. The Group is committed to comprehensively and efficiently addressing the full range of remediation issues impacting customers of the Banking and Wealth Management businesses. Significant resources have been committed to a comprehensive program of work, to ensure that all issues are identified and addressed.

Aligned Advice remediation – ongoing service fees

Aligned advisors were not employed by the Group but were representatives authorised to provide financial advice under the licences of the Group's subsidiaries, Financial Wisdom Limited (FWL), Count Financial Limited (Count Financial) and Commonwealth Financial Planning Limited-Pathways (CFP-Pathways).

The Group completed the sale of Count Financial to CountPlus Limited (CountPlus) on 1 October 2019, and ceased providing licensee services through CFP-Pathways and Financial Wisdom in March and June 2020, respectively. The Bank entered into reimbursement agreements with Financial Wisdom and CFP-Pathways, and an indemnity deed with CountPlus, to cover potential remediation of past issues including ongoing service fees charged where no service was provided. For details on the reimbursement agreements and the indemnity deed, refer to Note 11.2 of the 2020 Annual Report.

During the half year ended 31 December 2020, the Group recognised an increase in the provision for Aligned Advice remediation issues and program costs of $118 million, including ongoing service fees charged where no service was provided.

As at 31 December 2020, the provision held by the Group in relation to Aligned Advice remediation was $896 million (30 June 2020: $804 million; 31 December 2019: $529 million). The provision includes $436 million for customer fee refunds (30 June 2020: $418 million; 31 December 2019: $251 million), $329 million for interest on fees subject to refunds (30 June 2020: $280 million; 31 December 2019: $123 million) and $131 million for costs to implement the remediation program (30 June 2020: $106 million; 31 December 2019: $155 million).

The Group's estimate of the proportion of fees to be refunded is based on sample testing and assumes an average refund rate across licensees of 37% (30 June 2020: 37%; 31 December 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. The Group is continuing to engage with ASIC in relation to its remediation approach.

Banking and other Wealth customer remediation

As at 31 December 2020, the provision held by the Group in relation to Banking and other Wealth Management customer remediation programs was $174 million (30 June 2020: $227 million; 31 December 2019: $262 million). The provision for Banking remediation includes an estimate of customer refunds (including interest) relating to business and retail banking products (including bank guarantees, cash deposit accounts, merchants billing and certain other lending products), and the related program costs. The wealth remediation provision includes an estimate of customer refunds (including interest) relating to advice quality, transactions with deceased estates, the Consumer Credit Insurance products, certain superannuation and other products, and the related program costs.

Litigation, Investigations and reviews

The Group is party to a number of legal proceedings, and the subject of various investigations and reviews. Provisions have been raised 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 31 December 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 (FirstChoice Fund) and Commonwealth Essential Super (CES). A second further amended statement of claim and amended application was filed on 2 June 2020, joining Avanteos Investments Limited (AIL) as a party in respect of claims regarding the FirstWrap Pooled Cash Account and expanding the existing claims made against CFSIL and CBA. The main claims are that members invested in these cash and deposit options received lower interest rates than they could have received had CFSIL/AIL offered similar products made available in the market by another bank with comparable risk and that CFSIL/AIL retained the margin that arises through the internal transfer pricing process in respect of deposits made with CBA, for their own benefit. It is claimed CFSIL/AIL breached their duties as a trustee of the funds, CFSIL breached its duties as a Responsible Entity of the underlying managed

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters (continued)

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 matter was not resolved at the mediation on 3 September 2020.

On 18 October 2019, a second class action was commenced against CFSIL in the Federal Court of Australia. The claim relates to certain fees charged to members of the FirstChoice Fund. It is alleged that CFSIL breached its duties as trustee and acted unconscionably because it failed, between 2013 and 2019, to take steps to avoid the payment of grandfathered commissions to financial advisers, which would have resulted in a reduction of the fees paid by members in respect of whom those commissions were paid. CFSIL denies the allegations and is defending the proceedings. The Court has ordered the parties to participate in a mediation by 31 May 2021.

On 24 October 2019, a third class action was filed against CFSIL and a former executive director of CFSIL in the Federal Court of Australia, relating to alleged contraventions of statutory obligations under superannuation law and trustee breaches in the period 2013 to 2017. The class action relates to the transfer of certain default balances held by members of FirstChoice Employer Super to a MySuper product. The key allegation is that members should have been transferred to a MySuper product earlier than they were, and that the alleged failure to effect the transfer as soon as reasonably practicable caused affected members to pay higher fees and receive lower investment returns during the period of delay. CFSIL and its former director deny the allegations and are defending the proceedings. The Court has ordered the parties to participate in a mediation which will take place on 21 April 2021.

On 22 January 2020, a fourth class action was filed against CFSIL and The Colonial Mutual Life Assurance Society Limited (CMLA) in the Federal Court of Australia. The class action alleges that CFSIL did not act in the best interests of members and breached its trustee duties when taking out group insurance policies obtained from CMLA. The key allegation is that CFSIL entered into and maintained insurance policies with CMLA on terms that were less favourable to members than would have reasonably been available in the market. It is alleged that CMLA was knowingly involved in CFSIL's contraventions as trustee and profited from those contraventions. CFSIL and CMLA deny the allegations and are defending the proceedings.

It is currently not possible to determine the ultimate impact of these claims on the Group. The Group has provided for the legal costs expected to be incurred in the defence of the claims.

Advice Class Actions

On 21 August 2020, a class action was filed in the Federal Court of Australia against Commonwealth Financial Planning Limited (CFP), Financial Wisdom Limited (FWL) and CMLA. The claim relates to certain CommInsure (CMLA) life insurance policies recommended by financial advisers appointed by CFP and FWL during the period 21 August 2014 to 21 August 2020. The key allegations include that CFP and FWL or their financial advisers breached their fiduciary duties to their clients, breached their duty to act in the best interest of their clients, and had prioritised their own interests (and the interests of CFP, FWL and CMLA) over the interest of their clients, in recommending certain CommInsure life insurance policies in preference to substantially equivalent or better policies available at lower premiums from third party insurers. It is also alleged that CMLA is liable to account for excess premiums because it knew the material facts giving rise to the breaches of fiduciary duty. CFP, FWL and CMLA intend to defend the proceedings.

On 3 September 2020, CBA was notified of a class action commenced against Count Financial Limited (Count) in the Federal Court of Australia on 24 August 2020. The proceeding relates to commissions paid to Count and its authorised representative financial advisers in respect of financial products (including insurance) and certain obligations of its financial advisers to provide ongoing advice in the period from 21 August 2014 to 21 August 2020. The claim also includes allegations (related to the receipt of commissions) that Count engaged in misleading or deceptive conduct under the Australian Consumer Law, and that Count and its authorised representatives breached fiduciary duties owed to the applicant and group members. The claim seeks compensation and damages from Count, including any profits resulting from the contraventions.

Count was a wholly owned subsidiary of CBA until 1 October 2019, when it was acquired by CountPlus Limited. CBA has assumed the conduct of the defence in this matter on Count's behalf. Count intends to defend the proceedings.

It is currently not possible to determine the ultimate impact of these claims on the Group. The Group has provided for legal costs expected to be incurred in the defence of these claims.

US BBSW class action

In 2016, a class action was commenced in the United States District Court in New York against CBA, other banks and two brokers, claiming a conspiracy among competitors to manipulate the BBSW benchmark for mutual gain. The claims include allegations that United States racketeering and antitrust legislation have been contravened. In November 2018, the Court dismissed the claims against CBA and the other foreign defendants, but in April 2019, an amended complaint was filed that included new allegations and added a new named plaintiff. The defendants applied to the Court to dismiss the amended complaint. In February 2020, the judge determined that the new named plaintiff's claims could proceed against CBA and nine other banks. CBA denies the allegations and is defending the proceedings. The breadth of the class (if any) that may be allowed to claim against CBA will not be determined until August 2021 at the earliest. The proceedings are currently in the class certification discovery phase, where the parties are taking discovery on issues related to whether the matter should proceed as a class action.

It is currently not possible to determine the ultimate impact of this claim on the Group. The Group has provided for legal costs expected to be incurred in the defence of this claim.

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

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters (continued)

act in the best interests of customers and provided them with inappropriate advice. In particular, it is alleged that some customers were excluded from claiming certain benefits under the policies and the insurance was therefore unsuitable or of no value. Allegations are also made in relation to the manner in which the insurance was sold. CBA and CMLA deny the allegations and are defending the proceedings.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of this claim.

ASIC regulatory enforcement proceedings

CFSIL My Super (29WA)

On 17 March 2020, ASIC commenced civil penalty proceedings against CFSIL in the Federal Court of Australia for alleged breaches of the *Australian Securities and Investments Commission Act 2001* (Cth) (ASIC Act) and *Corporations Act 2001* (Cth) (Corporations Act) arising from communications with members of the FirstChoice Fund. In 2012, the Australian government passed legislation requiring trustees, such as CFSIL, to allocate member contributions to a default MySuper superannuation product in certain circumstances including where a written investment direction had not been provided by the member. ASIC alleges, amongst other things, that CFSIL communicated with members both in template letters and on telephone calls, in a misleading or deceptive manner regarding the provision of investment directions to stay with CFSIL's FirstChoice Fund rather than transitioning to CFSIL's MySuper product.

CFSIL filed its response to the claim on 17 July 2020. ASIC filed an amended statement of claim which, amongst other things, includes additional telephone calls which it alleges are misleading or deceptive. A defence to the amended statement of claim was filed on 11 December 2020.

It is currently not possible to determine the ultimate impact of this claim on the Group. The Group has provided for legal costs expected to be incurred in the defence of this claim.

Commonwealth Essential Super

On 22 June 2020, ASIC commenced civil penalty proceedings against CFSIL and CBA in the Federal Court of Australia for alleged contraventions of the conflicted remuneration provisions in the Corporations Act relating to the arrangements between CFSIL and CBA for the distribution of CES. CES is a MySuper product issued by CFSIL.

CBA filed its defence to the proceedings on 24 August 2020 and CFSIL filed its defence on 25 August 2020. CBA and CFSIL deny the allegations and are defending the proceedings.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of this claim.

CBA business overdraft proceedings

On 1 December 2020, ASIC commenced civil penalty proceedings in the Federal Court of Australia against CBA, alleging contraventions of the Corporations Act and ASIC Act in relation to overcharging of interest on certain business overdraft accounts. ASIC is seeking penalties in respect of conduct which occurred during the period 1 December 2014 to 31 March 2018.

The overcharging affected 2,269 customers. The affected customers have been sent refunds and CBA's remediation program has concluded.

CBA does not intend to defend the proceedings. It is currently not possible to determine the ultimate impact of the 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, third parties and shareholders and this could include further class actions, customer remediation or claims for compensation. The outcomes and total costs associated with such regulatory investigations and possible claims remain uncertain.

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. The Group holds a provision for remediation and program costs related to this matter.

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters (continued)

Other regulatory matters

The following matters were significant regulatory investigations and reviews, which have been completed, but have resulted in ongoing action required by the Group.

Enforceable undertaking to ASIC (foreign exchange)

In December 2016, CBA provided an enforceable undertaking (EU) to ASIC arising from an investigation into wholesale spot foreign exchange (FX) trading between 2008 and 2013. 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. ASIC accepted a variation to the EU on 16 October 2020 and CBA is implementing the terms of the varied EU.

Prudential inquiry into CBA and enforceable undertaking to APRA

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the Inquiry) into the Group focusing on the governance, culture and accountability frameworks and practices within the Group. The final report of the Inquiry was released on 1 May 2018 (the Final Report). The Final Report made a number of findings regarding the complex interplay of organisational and cultural factors within the Group and the need for enhanced management of non-financial risks. In response to the Final Report, the Group acknowledged that it would implement all of the recommendations and agreed to adjust its minimum operational risk capital requirements by an additional $1 billion (an impact to risk weighted assets of $12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction.

CBA has entered into an EU under which CBA's remedial action (Remedial Action Plan) in response to the Final Report would be agreed and monitored regularly by APRA. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan also provides a comprehensive assurance framework, with Promontory Australasia (Sydney) Pty Ltd (Promontory) having been appointed as the independent reviewer, and which is required to report to APRA on the Group's progress against committed milestones every 3 months.

Promontory is continuing to provide APRA with quarterly progress reports, and CBA is committed to report publicly on its progress against the Remedial Action Plan twice a year. Ten 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 continued to be strong with all 177 milestones on schedule to be delivered by the applicable due dates.

In November 2020 APRA completed a validation review of the Group's progress and found that it had made significant progress in implementing the Remedial Action Plan. The Group acknowledged the outcome of APRA's review and its decision that it would reduce the minimum operational risk capital requirements from an additional $1 billion to an additional $500 million.

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 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 related to 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.

However, there is no assurance that AUSTRAC or the Group's other regulators will agree that the Group's Program of Action will be adequate or that the Program of Action will effectively enhance the Group's financial crime compliance programs across its business units and the jurisdictions in which it operates. Although the Group is not currently aware of any other enforcement action by other domestic or foreign regulators in respect of its AML/CTF compliance, the Group regularly engages with such regulators (including in respect of compliance matters) and there can be no assurance that the Group will not be subject to such enforcement actions in the future.

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters (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.

CBA has developed an enhanced control framework which, if it is satisfactory to ASIC, will be incorporated as part of the Final BBSW program. Once CBA and ASIC have agreed the terms of the Final BBSW Program, CBA will implement the program in accordance with the terms of the enforceable undertaking. 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 and has now closed all of its internal investigations.

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.

Accounting Policy

Provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated. Where the effect of the time value of money is material, the amount of the provision is measured as the present value of expenditures required to settle the obligation, based on a market observable rate.

Where a provision is not recognised, a contingent liability may exist. A contingent liability is a possible obligation whose existence will be confirmed only by one or more uncertain future events, or a present obligation where an outflow of economic resources is not probable or the obligation cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet, but are disclosed unless an outflow of economic resources is remote.

7.3 Discontinued Operations and Businesses Held for Sale

The Group continues to deliver on its strategic priority to create simpler, better foundations through divestments of wealth management and other non-core businesses. A summary of divestments completed during the half years ended 31 December 2020, 30 June 2020 and 31 December 2019, as well as ongoing divestments is provided below.

Completed transactions

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, post-tax impairment losses of $26 million and post-tax transaction and separation costs of $7 million recognised during the half year ended 30 June 2019. Upon completion, the Group provided an indemnity to CountPlus capped at $200 million, which was increased to $300 million on 29 July 2020. Refer to Note 7.1 of the 2020 Annual Report for further information. As Count Financial did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

PT Commonwealth Life

On 23 October 2018, the Group announced the sale of its 80% interest in its Indonesian life insurance business, PT Commonwealth Life (PTCL), to FWD Group (FWD). The sale of PTCL completed on 4 June 2020, resulting in a total post-tax gain of $109 million (net of transaction costs). As part of the sale, CBA's Indonesian banking subsidiary, PT Bank Commonwealth (PTBC), has entered into a 15 year life insurance distribution partnership with FWD.

Aligned advice

On 7 August 2019 CBA confirmed it would commence the assisted closure of Financial Wisdom Limited (Financial Wisdom) and allow Commonwealth Financial Planning Limited-Pathways (CFP-Pathways) advisers to transition to a self-licensing arrangement or move to another licensee. The Group ceased providing licensee services through CFP-Pathways in March 2020 and through Financial Wisdom in June 2020. As Financial Wisdom and CFP-Pathways did not constitute a major line of the Group's business, they were not classified as discontinued operations.

BoCommLife

On 23 May 2018, the Group announced the sale of its 37.5% equity interest in BoCommLife Insurance Company Limited (BoCommLife) to MS&AD Insurance Group Holdings (MS&AD), the ultimate parent company of Mitsui Sumitomo Insurance Co., subject to Chinese regulatory approvals.

The sale of BoCommLife completed on 10 December 2020, resulting in a post-tax gain of $369 million (net of transaction costs) recognised during the half year ended 31 December 2020.

Ongoing transactions

Life insurance businesses in Australia

On 21 September 2017, the Group entered into an agreement to sell 100% of its life insurance businesses in Australia (CommInsure Life) to AIA Group Limited (AIA).

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

The aggregate proceeds, which are receivable 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 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.

Ultimate completion of the divestment of CommInsure Life is expected to occur via a statutory asset transfer in the first half of the calendar year 2021, at which time the remaining proceeds of approximately $100 million are expected to be received.

Australian Investment Exchange

On 28 April 2020, the Group announced the sale of its subsidiary, Australian Investment Exchange Limited (AUSIEX), to Nomura Research Institute (NRI). AUSIEX trades under the brand name CommSec Advisor Services. 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.

Aussie Home Loans

On 16 December 2020, the Group entered into an agreement to merge Aussie Home Loans with Lendi, an online home loan platform. Upon completion, the Group will retain a 45% shareholding in the combined business, with existing Lendi shareholders holding the remaining 55% shareholding. The Group will also receive deferred consideration and a pre-completion dividend of $105 million in aggregate (subject to adjustments).

The sale is subject to Australian regulatory approvals, and is expected to complete by mid calendar year 2021. As Aussie Home Loans did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

7.3 Discontinued Operations and Businesses Held for Sale (continued)

Income Statement

Financial Impact of Discontinued Operations on the Group

The performance and net cash flows of the Group's interests in CFS and BoCommLife are set out in the tables below. Comparative periods also include the performance and net cash flows of CommInsure Life, CFSGAM and PTCL.

	Half Year Ended [1]		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Net interest income	–	3	3
Other banking income	**34**	39	2
Net banking operating income	**34**	42	5
Funds management income	**352**	410	589
Investment revenue/(expense)	**–**	(1)	142
Claims, policyholder liability and commission expense	**(10)**	(51)	(214)
Net funds management operating income	**342**	358	517
Premiums from insurance contracts	**–**	68	391
Investment revenue	**–**	(56)	137
Claims, policyholder liability and commission expense from insurance contracts	**–**	18	(469)
Net insurance operating income	**–**	30	59
Total net operating income before operating expenses	**376**	430	581
Operating expenses	**(248)**	(403)	(371)
Net profit before tax	**128**	27	210
Income tax expense	**(39)**	(12)	(55)
Policyholder tax	**–**	–	(14)
Net profit after tax and before transaction and separation costs	**89**	15	141
Gains on disposals of businesses net of transaction and separation costs [2]	**1,011**	451	1,571
Non-controlling interests	**–**	–	(3)
Net profit after income tax from discontinued operations attributable to Equity holders of the Bank	**1,100**	466	1,709

1 The half year ended 30 June 2020 includes the performance of PTCL until 4 June 2020. The half year ended 31 December 2019 includes the performance of CFSGAM until 2 August 2019 and the performance of CommInsure Life until 1 November 2019.

2 Includes post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs associated with previously announced divestments.

Earnings per share for profit from discontinued operations attributable to equity holders of the Bank:

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	Cents per Share		
Earnings per share from discontinued operations:			
Basic	**62. 1**	26. 3	96. 7
Diluted	**57. 0**	24. 4	90. 6

7.3 Discontinued Operations and Businesses Held for Sale (continued)

Cash Flow Statement

	Half Year Ended [1, 2]		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Net cash provided by/(used in) operating activities	**135**	(174)	(379)
Net cash from investing activities	**8**	104	838
Net cash provided by/(used in) financing activities	**5**	(9)	(227)
Net cash inflows/(outflows) from discontinued operations	**148**	(79)	232

1 Represents cash flows from the underlying businesses classified as discontinued operations and excludes proceeds from disposal.
2 The half year ended 30 June 2020 includes the cash flows of PTCL until 4 June 2020. The half year ended 31 December 2019 includes the cash flows of CFSGAM until 2 August 2019 and the cash flows of CommInsure Life until 1 November 2019.

Balance Sheet

The Balance Sheet of CFS, Aussie Home Loans and AUSIEX are set out in the table below. Balances as at 30 June 2020 include the assets and liabilities of CFS, AUSIEX, and the Group's interest in BoCommLife. Balances as at 31 December 2019 include the assets and liabilities of PTCL and the Group's interest in BoCommLife.

	As at		
	31 Dec 20	30 Jun 20	31 Dec 19
Assets held for sale	**$M**	$M	$M
Cash and liquid assets	**41**	44	42
Assets at fair value through Income Statement	**253**	260	424
Investment securities at fair value through other comprehensive income	**–**	–	268
Intangible assets	**761**	705	10
Property, plant and equipment	**27**	1	1
Investment in associates and joint ventures	**–**	403	400
Deferred tax assets	**22**	41	4
Other assets	**511**	313	52
Total assets	**1,615**	1,767	1,201
Liabilities held for sale			
Insurance policy liabilities	**–**	–	491
Other liabilities	**655**	594	71
Total liabilities	**655**	594	562

Foreign currency translation reserve related to discontinued operations was a gain of $2 million and $3 million as at 30 June 2020 and 31 December 2019, respectively. Investment securities revaluation reserve related to discontinued operations was a loss of $35 million and $19 million as at 30 June 2020 and 31 December 2019, respectively.

Accounting Policy

Non-current assets (including disposal groups) are classified as held for sale if they will be recovered primarily through sale rather than through continuing use. Non-current assets which are to be abandoned, or businesses which are to be closed, are not classified as held for sale, since the carrying amount will be recovered principally through continuing use. A discontinued operation is a component of an entity that has been sold, or classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

7.4 Subsequent Events

The Directors have determined a fully franked interim dividend of 150 cents per share amounting to $2,661 million.

The Bank expects the DRP for the interim dividend for the half year ended 31 December 2020 will be satisfied in full by an on-market purchase of shares of approximately $399 million.

Directors' Declaration

The Directors of the Commonwealth Bank of Australia declare that:

In the opinion of the Directors, the consolidated financial statements and notes for the half year ended on 31 December 2020, as set out on pages 101 to 152, 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 31 December 2020 and its performance for the six months ended 31 December 2020;

In the opinion of the Directors, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Catherine Livingstone AO

Chairman

10 February 2021

Matt Comyn

Managing Director and Chief Executive Officer

10 February 2021

Independent auditor's review report to the members of Commonwealth Bank of Australia

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Commonwealth Bank of Australia (the Bank) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the half-year financial report

The directors of the Bank are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that

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the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Bank for the half-year ended 31 December 2020 included on Commonwealth Bank of Australia's web site. The Bank's directors are responsible for the integrity of the Commonwealth Bank of Australia web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide a conclusion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
10 February 2021

Contents

7. Appendices

1. Our Performance
   - 1.1 Net Interest Margin 157
   - 1.2 Average Balances and Related Interest 158
   - 1.3 Interest Rate and Volume Analysis 161
   - 1.4 Other Banking Income 163
2. Risk Management
   - 2.1 Integrated Risk Management 163
   - 2.2 Counterparty and Other Credit Risk Exposures 170
3. Our Capital, Equity and Reserves
   - 3.1 Capital 172
   - 3.2 Share Capital 175
4. Other Information
   - 4.1 General Insurance Sources of Profit 176
   - 4.2 Intangible Assets 177
   - 4.3 ASX Appendix 4D 178
   - 4.4 Profit Reconciliation 179
   - 4.5 Analysis Template 182
   - 4.6 Group Performance Summary 186
   - 4.7 Foreign Exchange Rates 187
   - 4.8 Definitions 188
   - 4.9 Disclosure Changes 193
   - 4.10 Independent Auditors 198

Appendices

1. 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.

1.1 Net Interest Margin (continuing operations basis)

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
	%	%	%
Australia			
Interest spread [1,2]	**1. 97**	1. 96	1. 98
Benefit of interest-free liabilities, provisions and equity [3]	**0. 12**	0. 17	0. 22
Net interest margin [2,4]	**2. 09**	2. 13	2. 20
New Zealand			
Interest spread [1,2]	**1. 62**	1. 60	1. 60
Benefit of interest-free liabilities, provisions and equity [3]	**0. 24**	0. 26	0. 29
Net interest margin [2,4]	**1. 86**	1. 86	1. 89
Other Overseas			
Interest spread [1,2]	**0. 40**	0. 37	0. 40
Benefit of interest-free liabilities, provisions and equity [3]	**0. 03**	0. 07	0. 12
Net interest margin [2,4]	**0. 43**	0. 44	0. 52
Total Group			
Interest spread [1]	**1. 88**	1. 85	1. 88
Benefit of interest-free liabilities, provisions and equity [3]	**0. 13**	0. 19	0. 23
Net interest margin [4]	**2. 01**	2. 04	2. 11

1 Difference between the average interest rate earned and the average interest rate paid on funds.

2 Interest spread and margin calculations have been adjusted to include intragroup borrowings to more appropriately reflect the overseas cost of funds.

3 A portion of the Group's interest earning assets is funded by net interest-free liabilities and shareholders' equity. The benefit to the Group of these interest-free funds is the amount it would cost to replace them at the average cost of funds.

4 Net interest income divided by average interest earning assets for the half year annualised.

1.2 Average Balances and Related Interest (continuing operations basis)

The following 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 half years ended 31 December 2020, 30 June 2020 and 31 December 2019. Averages used were predominantly daily averages. Interest is accounted for based on product yield.

Where assets or liabilities are hedged, the interest amounts are shown net of the hedge, however individual items not separately hedged may be affected by movements in exchange rates.

The New Zealand and Other Overseas components comprise overseas branches of the Group and overseas domiciled controlled entities.

Non-accrual loans are included in interest earning assets under loans, bills discounted and other receivables.

During the half year ended 31 December 2020 the official cash rate in Australia decreased 15 basis points on a spot basis, while in New Zealand the official cash rate remained flat on a spot basis.

	Half Year Ended 31 Dec 20			Half Year Ended 30 Jun 20			Half Year Ended 31 Dec 19		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Earning Assets	$M	$M	%	$M	$M	%	$M	$M	%
Home loans [1]	494,736	8,119	3. 26	489,014	8,680	3. 57	480,140	9,390	3. 89
Consumer finance [2]	17,257	916	10. 53	19,735	1,111	11. 32	21,250	1,231	11. 52
Business and corporate loans	216,472	3,306	3. 03	220,060	3,585	3. 28	215,886	4,147	3. 82
Loans, bills discounted and other receivables	728,465	12,341	3. 36	728,809	13,376	3. 69	717,276	14,768	4. 10
Cash and other liquid assets	57,396	47	0. 16	63,177	179	0. 57	46,690	287	1. 22
Assets at fair value through Income Statement (excluding life insurance)	45,806	144	0. 62	37,905	209	1. 11	34,727	227	1. 30
Investment Securities:									
At fair value through other comprehensive Income	86,579	228	0. 52	77,521	408	1. 06	76,335	594	1. 55
At amortised cost	4,678	26	1. 10	5,727	44	1. 55	6,822	70	2. 04
Non-lending interest earning assets	194,459	445	0. 45	184,330	840	0. 92	164,574	1,178	1. 42
Total interest earning assets [3]	922,924	12,786	2. 75	913,139	14,216	3. 13	881,850	15,946	3. 60
Non-interest earning assets [1]	107,650			102,033			91,293		
Assets held for sale	534			1,172			10,246		
Total average assets	1,031,108			1,016,344			983,389		

1 Home loans are reported net of average mortgage offset balances (half year ended 31 December 2020: $55,040 million; half year ended 30 June 2020: $50,118 million; half year ended 31 December 2019: $47,510 million), which are included in non-interest earning assets. Gross average home loans balance in the half year ended 31 December 2020, excluding mortgage offset accounts was $549,776 million (half year ended 30 June 2020: $539,132 million; half year ended 31 December 2019: $527,650 million). While these balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the calculation of the Group's net interest margin.

2 Consumer finance includes personal loans, credit cards and margin loans.

3 Used for calculating net interest margin.

1.2 Average Balances and Related Interest (continuing operations basis) (continued)

	Half Year Ended 31 Dec 20			Half Year Ended 30 Jun 20			Half Year Ended 31 Dec 19		
	Avg Bal	**Interest**	**Yield**	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Bearing Liabilities	**$M**	**$M**	**%**	$M	$M	%	$M	$M	%
Transaction deposits [1]	**114,411**	**96**	**0. 17**	96,542	128	0. 27	87,462	205	0. 47
Savings deposits [1]	**240,449**	**406**	**0. 33**	211,325	509	0. 48	189,991	659	0. 69
Investment deposits	**174,514**	**1,377**	**1. 57**	195,242	1,865	1. 92	206,933	2,414	2. 32
Certificates of deposit and other	**61,708**	**399**	**1. 28**	68,703	638	1. 87	66,359	886	2. 66
Total interest bearing deposits	**591,082**	**2,278**	**0. 76**	571,812	3,140	1. 10	550,745	4,164	1. 50
Payables due to other financial institutions	**26,136**	**38**	**0. 29**	24,427	153	1. 26	25,402	238	1. 86
Liabilities at fair value through Income Statement	**4,815**	**11**	**0. 45**	4,951	26	1. 06	6,619	48	1. 44
Debt issues	**124,898**	**522**	**0. 83**	151,611	1,031	1. 37	154,297	1,498	1. 93
Loan capital	**26,310**	**343**	**2. 59**	25,708	398	3. 11	23,314	427	3. 64
Lease liabilities	**3,146**	**42**	**2. 65**	2,528	34	2. 70	2,648	37	2. 78
Bank levy	**–**	**181**	**–**	–	174	–	–	184	–
Total interest bearing liabilities	**776,387**	**3,415**	**0. 87**	781,037	4,956	1. 28	763,025	6,596	1. 72
Non-interest bearing liabilities [1]	**180,938**			163,093			140,807		
Liabilities held for sale	**275**			758			9,229		
Total average liabilities	**957,600**			944,888			913,061		

1 Transaction and savings deposits exclude average mortgage offset balances (half year ended 31 December 2020: $55,040 million; half year ended 30 June 2020: $50,118 million; half year ended 31 December 2019: $47,510 million), which are included in Non-interest bearing liabilities.

	Half Year Ended 31 Dec 20			Half Year Ended 30 Jun 20			Half Year Ended 31 Dec 19		
	Avg Bal	**Interest**	**Yield**	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Net Interest Margin	**$M**	**$M**	**%**	$M	$M	%	$M	$M	%
Total interest earning assets	**922,924**	**12,786**	**2. 75**	913,139	14,216	3. 13	881,850	15,946	3. 60
Total interest bearing liabilities	**776,387**	**3,415**	**0. 87**	781,037	4,956	1. 28	763,025	6,596	1. 72
Net interest income and interest spread		**9,371**	**1. 88**		9,260	1. 85		9,350	1. 88
Benefit of free funds			**0. 13**			0. 19			0. 23
Net interest margin			**2. 01**			2. 04			2. 11

1.2 Average Balances and Related Interest (continuing operations basis) (continued)

Geographical Analysis of Key Categories [1]	Half Year Ended 31 Dec 20			Half Year Ended 30 Jun 20			Half Year Ended 31 Dec 19		
	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %
Loans, bills discounted and other receivables									
Australia	**622,295**	**10,410**	**3. 32**	619,613	11,176	3. 63	610,398	12,387	4. 04
New Zealand	**89,527**	**1,692**	**3. 75**	89,087	1,846	4. 17	86,732	1,967	4. 51
Other Overseas	**16,643**	**239**	**2. 85**	20,109	354	3. 54	20,146	414	4. 09
Total	**728,465**	**12,341**	**3. 36**	728,809	13,376	3. 69	717,276	14,768	4. 10
Non-lending interest earning assets									
Australia	**139,823**	**364**	**0. 52**	127,040	643	1. 02	119,735	891	1. 48
New Zealand	**13,435**	**32**	**0. 47**	13,676	60	0. 88	11,493	85	1. 47
Other Overseas	**41,201**	**49**	**0. 24**	43,614	137	0. 63	33,346	202	1. 20
Total	**194,459**	**445**	**0. 45**	184,330	840	0. 92	164,574	1,178	1. 42
Total interest bearing deposits									
Australia	**509,698**	**1,629**	**0. 63**	487,177	2,292	0. 95	471,024	3,155	1. 33
New Zealand	**62,228**	**526**	**1. 68**	61,645	624	2. 04	58,561	723	2. 46
Other Overseas	**19,156**	**123**	**1. 27**	22,990	224	1. 96	21,160	286	2. 69
Total	**591,082**	**2,278**	**0. 76**	571,812	3,140	1. 10	550,745	4,164	1. 50
Other interest bearing liabilities									
Australia	**151,870**	**920**	**1. 20**	163,653	1,445	1. 78	167,343	1,917	2. 28
New Zealand	**24,632**	**205**	**1. 65**	27,471	304	2. 23	27,535	367	2. 65
Other Overseas	**8,803**	**12**	**0. 27**	18,101	67	0. 74	17,402	148	1. 69
Total	**185,305**	**1,137**	**1. 22**	209,225	1,816	1. 75	212,280	2,432	2. 28

1 The New Zealand and Other Overseas components comprise overseas branches of the Group and overseas domiciled controlled entities.

1.3 Interest Rate and Volume Analysis (continuing operations basis)

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 comparative period due to movements in the average balance. Rate variances reflect the change in interest from the prior comparative period due to changes in interest rates.

	Half Year Ended Dec 20 vs Jun 20			Half Year Ended Dec 20 vs Dec 19		
Interest Earning Assets [1]	**Volume $M**	**Rate $M**	**Total $M**	Volume $M	Rate $M	Total $M
Home loans	**213**	**(774)**	**(561)**	265	(1,536)	(1,271)
Consumer finance	**(116)**	**(79)**	**(195)**	(209)	(106)	(315)
Business and corporate loans	**(5)**	**(274)**	**(279)**	20	(861)	(841)
Loans, bills discounted and other receivables	**178**	**(1,213)**	**(1,035)**	230	(2,657)	(2,427)
Cash and other liquid assets	**(2)**	**(130)**	**(132)**	10	(250)	(240)
Assets at fair value through Income Statement (excluding life insurance)	**28**	**(93)**	**(65)**	35	(118)	(83)
Investment securities:						
At fair value through other comprehensive Income	**29**	**(209)**	**(180)**	29	(395)	(366)
At amortised cost	**(5)**	**(13)**	**(18)**	(12)	(32)	(44)
Non-lending interest earning assets	**35**	**(430)**	**(395)**	72	(805)	(733)
Total interest earning assets	**331**	**(1,761)**	**(1,430)**	613	(3,773)	(3,160)

	Half Year Ended Dec 20 vs Jun 20			Half Year Ended Dec 20 vs Dec 19		
Interest Bearing Liabilities [1]	**Volume $M**	**Rate $M**	**Total $M**	Volume $M	Rate $M	Total $M
Transaction deposits	**17**	**(49)**	**(32)**	23	(132)	(109)
Savings deposits	**56**	**(159)**	**(103)**	87	(340)	(253)
Investment deposits	**(138)**	**(350)**	**(488)**	(249)	(788)	(1,037)
Certificates of deposit and other	**(36)**	**(203)**	**(239)**	(28)	(459)	(487)
Total interest bearing deposits	**117**	**(979)**	**(862)**	167	(2,053)	(1,886)
Payables due to other financial institutions	**5**	**(120)**	**(115)**	2	(202)	(200)
Liabilities at fair value through Income Statement	**–**	**(15)**	**(15)**	(4)	(33)	(37)
Debt issues	**(97)**	**(412)**	**(509)**	(119)	(857)	(976)
Loan capital	**13**	**(68)**	**(55)**	40	(124)	(84)
Lease liabilities	**9**	**(1)**	**8**	7	(2)	5
Bank levy	**–**	**7**	**7**	–	(3)	(3)
Total interest bearing liabilities	**48**	**(1,589)**	**(1,541)**	77	(3,258)	(3,181)

	Half Year Ended	
	Dec 20 vs Jun 20	Dec 20 vs Dec 19
Change in Net Interest Income	**Increase/(Decrease) $M**	Increase/(Decrease) $M
Due to changes in average volume of interest earning assets	**125**	443
Due to changes in interest margin	**(116)**	(422)
Due to variation in time period	**102**	–
Change in net interest income	**111**	21

1 "Rate" reflects the change due to movements in yield assuming average volume is consistent across the two periods. "Volume" reflects the change due to balance growth assuming the average rate is consistent across the two periods and the impact of variation in calendar days. The volume and rate variances for total interest earning assets and total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

1.3 Interest Rate and Volume Analysis (continuing operations basis) (continued)

	Half Year Ended Dec 20 vs Jun 20			Half Year Ended Dec 20 vs Dec 19		
Geographical Analysis of Key Categories [1]	**Volume $M**	**Rate $M**	**Total $M**	Volume $M	Rate $M	Total $M
Loans, bills discounted and other receivables						
Australia	**199**	**(965)**	**(766)**	233	(2,210)	(1,977)
New Zealand	**34**	**(188)**	**(154)**	58	(333)	(275)
Other Overseas	**(45)**	**(70)**	**(115)**	(49)	(126)	(175)
Total	**178**	**(1,213)**	**(1,035)**	230	(2,657)	(2,427)
Non-lending interest earning assets						
Australia	**42**	**(321)**	**(279)**	55	(582)	(527)
New Zealand	**–**	**(28)**	**(28)**	5	(58)	(53)
Other Overseas	**(1)**	**(87)**	**(88)**	10	(163)	(153)
Total	**35**	**(430)**	**(395)**	72	(805)	(733)
Total interest bearing deposits						
Australia	**104**	**(767)**	**(663)**	132	(1,658)	(1,526)
New Zealand	**14**	**(112)**	**(98)**	33	(230)	(197)
Other Overseas	**(22)**	**(79)**	**(101)**	(12)	(151)	(163)
Total	**117**	**(979)**	**(862)**	167	(2,053)	(1,886)
Other interest bearing liabilities						
Australia	**(51)**	**(474)**	**(525)**	(88)	(909)	(997)
New Zealand	**(19)**	**(80)**	**(99)**	(23)	(139)	(162)
Other Overseas	**(12)**	**(43)**	**(55)**	(11)	(125)	(136)
Total	**(122)**	**(557)**	**(679)**	(159)	(1,136)	(1,295)

1 "Rate" reflects the change due to movements in yield assuming average volume is consistent across the two periods. "Volume" reflects the change due to balance growth assuming the average rate is consistent across the two periods and the impact of variation in calendar days. The volume and rate variances for total interest earning assets and total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

1.4 Other Banking Income (continuing operations basis)

	Half Year Ended				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
	$M	$M	$M	Jun 20 %	Dec 19 %
Commissions	**1,299**	1,236	1,321	5	(2)
Lending fees	**525**	503	483	4	9
Trading income	**535**	432	508	24	5
Net gain/(loss) on non-trading financial instruments [1]	**(84)**	94	45	large	large
Net gain/(loss) on sale of property, plant and equipment	**–**	14	18	large	large
Net gain/(loss) from hedging ineffectiveness	**17**	(32)	18	large	(6)
Dividends	**1**	1	2	–	(50)
Share of profit of associates and joint ventures net of impairment	**131**	74	96	77	36
Other [2,3]	**(70)**	86	103	large	large
Total other banking income - "statutory basis"	**2,354**	2,408	2,594	(2)	(9)

1 Includes gains/(losses) on non-trading derivatives that are held for risk management purposes.
2 The half year ended 31 December 2020 includes depreciation of $40 million in relation to assets held for lease by the Group (30 June 2020: $43 million; 31 December 2019: $40 million).
3 The half year ended 31 December 2020 includes a further $124 million impairment loss recognised by the Group in relation to certain aircraft owned by the Group and leased to various airlines (30 June 2020: $92 million). The impairment loss was driven by the impact of COVID-19 on the aviation sector.

Other Banking Income – Reconciliation of Cash and Statutory Basis

The table below sets out various accounting impacts arising from the application of AASB 139 *Financial Instruments: Recognition and Measurement* to the Group's derivative hedging activities and other non-cash items.

	Half Year Ended				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
	$M	$M	$M	Jun 20 %	Dec 19 %
Other banking income - "cash basis"	**2,419**	2,294	2,543	5	(5)
Revenue hedge of New Zealand operations - unrealised	**(1)**	105	19	large	large
Hedging and IFRS volatility	**(5)**	(23)	35	(78)	large
(Loss)/gain on disposal and acquisition of entities net of transaction costs	**(59)**	32	(3)	large	large
Other banking income - "statutory basis"	**2,354**	2,408	2,594	(2)	(9)

2. 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 Group's key risk types are credit, market, liquidity, operational, insurance, strategic and compliance. The framework is discussed in Note 9.1 in the 2020 Financial Report.

2.1 Integrated Risk Management

The Group's approach to risk management is described within Note 9 of the 2020 Financial Report. Further disclosures in respect of capital adequacy and risk are provided in the Capital Disclosures Reports.

Credit Risk

The Group uses a portfolio approach for the management of its credit risk, of which a key element is a well-diversified portfolio. The Group uses various portfolio management tools to assist in diversifying the credit portfolio.

Below is a breakdown of the Group's committed exposures across industry sector, region and commercial credit quality.

2.1 Integrated Risk Management (continued)

	As at [1, 2]		
	31 Dec 20	30 Jun 20	31 Dec 19
By Sector	**%**	%	%
Consumer	**58. 7**	58. 8	60. 0
Government, Admin. & Defence	**12. 8**	11. 8	10. 0
Finance & Insurance	**6. 8**	7. 6	7. 9
Commercial Property	**6. 6**	6. 6	6. 5
Transport & Storage	**2. 3**	2. 5	2. 5
Agriculture & Forestry	**2. 1**	2. 1	2. 1
Manufacturing	**1. 4**	1. 4	1. 5
Entertainment, Leisure & Tourism	**1. 1**	1. 2	1. 1
Electricity, Water & Gas	**1. 1**	1. 1	1. 1
Retail Trade	**1. 0**	1. 0	1. 0
Business Services	**1. 0**	1. 0	0. 3
Health & Community Services	**0. 9**	0. 8	1. 0
Wholesale Trade	**0. 9**	0. 8	0. 9
Mining, Oil & Gas	**0. 8**	1. 0	0. 8
Construction	**0. 8**	0. 9	0. 9
Media & Communications	**0. 5**	0. 5	0. 4
Personal & Other Services	**0. 3**	0. 3	0. 3
Education	**0. 3**	0. 2	0. 2
Other	**0. 6**	0. 4	1. 5
Total	**100. 0**	100. 0	100. 0

1 Comparative information has been restated to conform to the presentation in the current period.
2 Committed exposures by industry sector, region and commercial credit quality are disclosed on a gross basis (calculated before collateralisation).

2.1 Integrated Risk Management (continued)

By Region [1]	As at 31 Dec 20 %	30 Jun 20 %	31 Dec 19 %
Australia	**80. 3**	79. 8	79. 5
New Zealand	**10. 3**	10. 6	10. 8
Americas	**3. 6**	4. 4	4. 4
Europe	**2. 9**	3. 0	2. 8
Asia	**2. 8**	2. 0	2. 3
Other	**0. 1**	0. 2	0. 2
	100. 0	100. 0	100. 0

Commercial Portfolio Quality [1]	As at [2] 31 Dec 20 %	30 Jun 20 %	31 Dec 19 %
AAA/AA	**35. 2**	35. 5	32. 8
A	**15. 4**	14. 7	15. 9
BBB	**15. 3**	16. 1	16. 6
Other	**34. 1**	33. 7	34. 7
	100. 0	100. 0	100. 0

1 Committed exposures by region and commercial credit quality are disclosed on a gross basis (calculated before collateralisation).
2 Comparative information has been restated to conform to the presentation in the current period.

As a measure of individually risk-rated commercial portfolio exposure (including finance and insurance), the Group has 65.9% (June 2020: 66.3%; December 2019: 65.3%) of commercial exposures at investment grade quality.

2.1 Integrated Risk Management (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 9.3 of the 2020 Financial Report.

Value at Risk (VaR)

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.

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.

Where VaR is deemed not to be an appropriate method of risk measurement other risk measures have been used, as specified by the heading or accompanying footnotes of the tables provided.

	Average VaR [1]		
	31 Dec 20	30 Jun 20	31 Dec 19
Traded Market Risk	**$M**	$M	$M
Risk Type			
Interest rate risk	**29. 1**	26. 5	21. 2
Foreign exchange risk	**7. 6**	33. 2	9. 4
Equities risk	**0. 4**	0. 3	0. 4
Commodities risk	**14. 4**	7. 9	9. 2
Credit spread risk	**27. 5**	31. 5	7. 6
Other market risk [2]	**20. 5**	52. 0	30. 2
Diversification benefit	**(35. 7)**	(89. 9)	(50. 4)
Total general market risk	**63. 8**	61. 5	27. 6
Undiversified risk	**14. 7**	8. 6	5. 7
ASB & PTBC Banks	**3. 6**	0. 5	0. 8
Total	**82. 1**	70. 6	34. 1

1 Average VaR is at 10 day 99% confidence and is calculated for each 6 month period.
2 Includes volatility risk and basis risk.

2.1 Integrated Risk Management (continued)

Interest rate risk in the banking book

Interest rate risk in the banking book is discussed within Note 9.3 of the 2020 Financial Report.

(a) Next 12 Months' Earnings

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 below 1.00% as at 31 December 2020, a downward rate shock of 100 basis points implies a negative interest rate of 0.90% and 0.75% for Australia and New Zealand, respectively. 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]		31 Dec 20 $M	30 Jun 20 [2] $M	31 Dec 19 [2] $M
Average monthly exposure	AUD	**1,833. 6**	1,230. 2	787. 2
	NZD	**253. 2**	140. 3	72. 4
High month exposure	AUD	**2,084. 4**	1,682. 0	1,038. 0
	NZD	**313. 5**	215. 9	104. 0
Low month exposure	AUD	**1,627. 0**	812. 0	506. 7
	NZD	**212. 4**	88. 4	47. 3

1 Exposures over a 6 month period. NZD exposures are presented in NZD.
2 Comparative information for NZD has been restated to conform to the presentation in the current period. This consists of a change in modelling to account for the impact of interest rate floors on deposits.

Net interest earnings at risk increased during the period due to decreases in the official cash rate combined with deposit growth, which resulted in additional deposit balances becoming subject to interest rate floors.

(b) Economic Value

A 20-day 99.0% VaR measure is used to capture the economic impact of adverse changes in interest rates on all banking book assets and liabilities.

Non-Traded Interest Rate Risk VaR [1] (20-day 99.0% confidence)	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M
Average daily exposure	**686. 1**	493. 3	242. 4
High daily exposure	**743. 0**	804. 2	271. 0
Low daily exposure	**638. 5**	258. 7	224. 1

1 Exposures over a 6 month period.

2.1 Integrated Risk Management (continued)

Funding Sources

The following table provides the funding sources for the Group including customer deposits, and short-term and long-term wholesale funding. Shareholders' equity is excluded from this view of funding sources.

	As at [1]				
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Transaction deposits [2]	**168,145**	145,316	128,294	16	31
Savings deposits	**249,670**	236,339	201,930	6	24
Investment deposits	**167,916**	181,483	204,875	(7)	(18)
Other customer deposits [2,3]	**94,603**	77,831	65,357	22	45
Total customer deposits	**680,334**	640,969	600,456	6	13
Wholesale funding					
Short-term					
Certificates of deposit [4]	**39,166**	42,456	41,330	(8)	(5)
Euro commercial paper programme	**–**	63	402	large	large
US commercial paper programme	**15,418**	12,914	16,179	19	(5)
Euro medium-term note programme	**3,010**	5,442	4,450	(45)	(32)
Central Bank deposits	**5,633**	8,437	14,127	(33)	(60)
Other [5]	**7,315**	1,879	5,030	large	45
Total short-term wholesale funding	**70,542**	71,191	81,518	(1)	(13)
Net collateral received	**(2,128)**	(1,795)	153	19	large
Internal RMBS sold under agreement to repurchase with RBA	**5,416**	5,413	5,370	–	1
Total short-term collateral deposits	**3,288**	3,618	5,523	(9)	(40)
Total long-term funding - less than or equal to one year residual maturity [6]	**30,326**	22,147	26,032	37	16
Long-term - greater than one year residual maturity					
Domestic debt program	**11,718**	16,118	18,616	(27)	(37)
Euro medium-term note programme	**17,604**	21,543	22,663	(18)	(22)
US medium-term note programme [7]	**14,023**	19,686	20,712	(29)	(32)
Covered bond programme	**24,981**	31,430	31,660	(21)	(21)
Securitisation	**7,989**	8,790	10,063	(9)	(21)
Loan capital	**22,485**	24,823	24,770	(9)	(9)
RBA Term Funding Facility (TFF) [8]	**19,163**	1,500	–	large	n/a
Other	**1,776**	1,673	2,780	6	(36)
Total long-term funding - greater than one year residual maturity	**119,739**	125,563	131,264	(5)	(9)
IFRS MTM and derivative FX revaluations	**5,270**	7,241	3,012	(27)	75
Total funding	**909,499**	870,729	847,805	4	7
Reported as					
Deposits and other public borrowings	**746,466**	701,999	662,824	6	13
Payables due to other financial institutions	**31,010**	16,429	23,822	89	30
Liabilities at fair value through Income Statement	**7,255**	4,397	4,752	65	53
Debt issues	**122,548**	142,503	153,327	(14)	(20)
Loan capital	**27,608**	27,357	25,425	1	9
Loans and other receivables - collateral posted	**(1,848)**	(1,155)	(975)	60	90
Receivables due from other financial institutions - collateral posted	**(4,800)**	(6,057)	(4,218)	(21)	14
Securities purchased under agreements to resell	**(18,740)**	(14,744)	(17,152)	27	9
Total funding	**909,499**	870,729	847,805	4	7

1 Comparative information has been restated to conform to the presentation in the current period.
2 Transaction deposits exclude non-interest bearing deposits (included in other customer deposits).
3 Other customer deposits primarily consist of non-interest bearing transaction deposits and deposits held at fair value through the Income Statement.
4 Includes Bank acceptances.
5 Includes net securities sold under agreement to repurchase and purchased under agreement to resell and interbank borrowings.
6 Residual maturity of long-term wholesale funding (included in Debt issues and Loan capital) is the earlier of the next call date or final maturity.
7 Includes notes issued under the Bank's 3(a)(2) program.
8 Includes accrued interest payable at maturity.

2.1 Integrated Risk Management (continued)

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 and location, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

Liquidity and 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, and 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 Liquidity Coverage Ratio (LCR) requirement is maintained. Australian Authorised Deposit-taking Institutions (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 available stable funding to required stable funding which must be greater than 100%;
- Additional internal funding and liquidity metrics are calculated and stress tests in addition 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, and 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 the 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 the 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).

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 and product development, 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.

2.2 Counterparty and Other Credit Risk Exposures

Special Purpose Vehicles (SPV)

The Group invests in or establishes SPVs in the ordinary course of business, primarily to provide funding and financial services for its customers. These SPVs are consolidated in the Financial Statements whenever they meet the criteria of control as outlined in Note 4.4 of the 2020 Financial Report. The primary use of SPVs is in relation to securitisation where the primary source of repayment of the debt instruments is the underlying assets and investors have no recourse to the general assets of the sponsor (Covered Bonds have dual recourse to the issuer and the SPV).

The Group may manage these vehicles, hold minor amounts of capital, provide financing or transact derivatives with these entities.

Securitisation and Covered Bond Vehicles

The Group utilises SPVs for the purposes of issuing residential mortgage backed securities and also as part of its covered bond program. The Group securitises modest amounts of residential home loans to issue residential mortgage-backed securities. The Group also issues covered bonds to diversify the Group's wholesale funding.

The Group manages these SPVs, services assets in the SPVs, provides interest rate and foreign currency risk hedging, or provides other facilities such as liquidity facilities. The Group retains the risks associated with the provision of these services. The Group is also entitled to any residual income from the SPVs after all payments due to investors and costs of the program have been met, where the Group is the income unitholder.

	Covered Bonds		Securitisation	
	31 Dec 20 $M	30 Jun 20 $M	**31 Dec 20 $M**	30 Jun 20 $M
Carrying amount of transferred assets	**39,158**	43,190	**11,625**	12,791
Carrying amount of associated liabilities	**34,712**	37,456	**10,619**	11,677
Net position	**4,446**	5,734	**1,006**	1,114

Asset-backed Securities

Asset-backed securities are debt securities where the cash flow is dependent on the performance of the assets assigned to SPVs, which may consist of residential mortgages, commercial mortgages or other types of receivables. The Group has acquired asset-backed securities primarily as part of its trading activities (classified as Trading assets), liquidity management (classified as Amortised Cost investments), and balance sheet holdings (classified as Fair Value Through Other Comprehensive Income investments).

The majority of the Group's asset-backed securities portfolio consists of notes externally rated AAA.

An analysis of the exposure to non-Group originated asset-backed securities and warehousing facilities is outlined in the tables below.

	Trading Portfolio		Investment securities at FVOCI [1]		Other [2]		Total	
	31 Dec 20 $M	30 Jun 20 $M	**31 Dec 20 $M**	30 Jun 20 $M	**31 Dec 20 $M**	30 Jun 20 $M	**31 Dec 20 $M**	30 Jun 20 $M
Residential Mortgage Backed securities	**35**	–	**842**	755	**4,281**	4,996	**5,158**	5,751
Non-conforming	**–**	–	**781**	683	**–**	–	**781**	683
Prime mortgages	**35**	–	**61**	72	**4,281**	4,996	**4,377**	5,068
Commercial Mortgage Backed Securities	**–**	–	**57**	64	**–**	–	**57**	64
Other assets	**–**	–	**–**	59	**112**	163	**112**	222
Total [3]	**35**	–	**899**	878	**4,393**	5,159	**5,327**	6,037

1 Fair value through other comprehensive income.
2 Includes investment securities at amortised cost.
3 All assets are denominated in Australia and are rated in the AAA & AA bands, with the exception of $3 million Prime Residential Mortgages rated BBB (30 June 2020: $3 million).

	Funded Commitments		Unfunded Commitments		Total	
Warehousing Financing Facilities	**31 Dec 20 $M**	30 Jun 20 $M	**31 Dec 20 $M**	30 Jun 20 $M	**31 Dec 20 $M**	30 Jun 20 $M
Australia	**4,179**	6,388	**4,631**	2,705	**8,810**	9,093
New Zealand	**830**	452	**182**	141	**1,012**	593
UK	**–**	–	**–**	–	**–**	-
Total	**5,009**	6,840	**4,813**	2,846	**9,822**	9,686

2.2 Counterparty and Other Credit Risk Exposures (continued)

Other Exposures

Leveraged Finance

The Group provides leveraged finance to companies. This can include companies acquired or owned by private equity sponsors which are highly leveraged, primarily domiciled in Australia and New Zealand and exhibit stable and established earnings providing the ability to reduce borrowing levels.

The Group's exposure to firms owned by private equity sponsors is well diversified across industries and private equity sponsors. Highly leveraged debt facilities provided to private equity sponsors are typically senior with first ranking security over the cash flows and assets of the businesses.

Hedge Funds

There were no material movements in exposures to hedge funds during the current half and these exposures are not considered to be material.

Collateralised Debt Obligations (CDOs) and Credit Linked Notes

The Group has no material direct or indirect exposure to CDOs or credit linked notes.

3. 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.

3.1 Capital

The tables below show the APRA Basel III capital adequacy calculation at 31 December 2020 together with prior period comparatives.

	As at		
	31 Dec 20	30 Jun 20	31 Dec 19
Risk Weighted Capital Ratios	%	%	%
Common Equity Tier 1	**12. 6**	11. 6	11. 7
Tier 1	**15. 0**	13. 9	14. 1
Tier 2	**3. 9**	3. 6	3. 3
Total Capital	**18. 9**	17. 5	17. 4

	As at		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Ordinary share capital and treasury shares			
Ordinary share capital	**38,417**	38,131	38,126
Treasury shares	**15**	51	54
Ordinary share capital and treasury shares	**38,432**	38,182	38,180
Reserves			
Reserves	**2,287**	2,666	1,910
Reserves related to non-consolidated subsidiaries [1]	**–**	2	(7)
Total Reserves	**2,287**	2,668	1,903
Retained earnings and current period profits			
Retained earnings and current period profits	**34,294**	31,211	31,066
Retained earnings adjustment from non-consolidated subsidiaries [2]	**(379)**	(325)	(258)
Net retained earnings	**33,915**	30,886	30,808
Non-controlling interests			
Non-controlling interests [3]	**5**	5	51
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(5)**	(5)	(51)
Non-controlling interests	**–**	–	–
Common Equity Tier 1 Capital before regulatory adjustments	**74,634**	71,736	70,891

1 Represents equity reserve balances associated with the insurance and funds management entities, and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.

2 Cumulative current period profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.

3 Non-controlling interests predominantly comprise of external equity interests of subsidiaries.

3.1 Capital (continued)

	As at		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Common Equity Tier 1 regulatory adjustments			
Goodwill [1]	**(5,997)**	(5,988)	(6,007)
Other intangibles (including software) [2]	**(1,642)**	(1,594)	(1,665)
Capitalised costs and deferred fees	**(833)**	(765)	(768)
Defined benefit superannuation plan surplus [3]	**(180)**	(476)	(244)
Deferred tax asset	**(3,041)**	(3,176)	(2,463)
Cash flow hedge reserve	**(994)**	(1,513)	(548)
Employee compensation reserve	**(64)**	(138)	(96)
Equity investments [4]	**(3,924)**	(3,648)	(3,579)
Equity investments in non-consolidated subsidiaries [5]	**(670)**	(1,429)	(2,685)
Unrealised fair value adjustments [6]	**(9)**	(16)	(34)
Other	**(185)**	(420)	(422)
Common Equity Tier 1 regulatory adjustments	**(17,539)**	(19,163)	(18,511)
Common Equity Tier 1 Capital	**57,095**	52,573	52,380
Additional Tier 1 Capital			
Basel III complying instruments [7]	**10,695**	10,695	10,695
Basel III non-complying instruments net of transitional amortisation [8]	**130**	146	143
Total Additional Tier 1 Capital	**10,825**	10,841	10,838
Total Tier 1 Capital	**67,920**	63,414	63,218
Tier 2 Capital			
Basel III complying instruments [9]	**15,533**	14,552	13,986
Basel III non-complying instruments net of transitional amortisation [10]	**277**	296	288
Holding of Tier 2 Capital	**(49)**	(16)	(21)
Prudential general reserve for credit losses [11]	**2,061**	1,597	482
Total Tier 2 Capital	**17,822**	16,429	14,735
Total Capital	**85,742**	79,843	77,953

1 Includes goodwill from discontinued operations.
2 Other intangibles (including capitalised software costs), net of any associated deferred tax liability.
3 Represents the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability.
4 Represents the Group's non-controlling interest in other entities.
5 Non-consolidated subsidiaries primarily represent the insurance and funds management companies operating in the Colonial Group.
6 Includes gains due to changes in our credit risk on fair valued liabilities and other prudential valuation adjustment.
7 As at 31 December 2020, comprises PERLS XII $1,650 million (November 2019), PERLS XI $1,590 million (December 2018), PERLS X $1,365 million (April 2018), PERLS IX $1,640 million (March 2017), PERLS VIII $1,450 million (March 2016), and PERLS VII $3,000 million (October 2014).
8 Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments that are eligible for Basel III transitional relief.
9 In the half year ended 31 December 2020, the Group issued a AUD200 million, a AUD205 million, a AUD1,400 million and a AUD270 million subordinated note, that were Basel III compliant. In the half year ended 30 June 2020, the Group issued a AUD280 million and a AUD210 million subordinated note, that were Basel III compliant.
10 Includes both perpetual and term instruments subordinated to depositors and general creditors, having an original maturity of at least five years. APRA require these to be included as if they were unhedged. Term instruments are amortised by 20% of the original amount during each of the last five years to maturity. These instruments are eligible for Basel III transitional relief.
11 Represents the collective provision and general reserve for credit losses for exposures in the Group which are measured for capital purposes under the Standardised approach to credit risk.

3.1 Capital (continued)

Risk Weighted Assets (RWA)	As at 31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M
Credit Risk			
Subject to AIRB approach [1]			
Corporate	**69,157**	69,577	67,236
SME Corporate	**30,662**	30,890	31,560
SME retail	**6,583**	6,665	5,976
SME retail secured by residential mortgage	**3,087**	3,360	3,314
Sovereign	**2,668**	1,838	1,682
Bank	**6,424**	6,667	7,964
Residential mortgage	**151,950**	148,294	147,865
Qualifying revolving retail	**5,816**	6,697	7,802
Other retail	**11,511**	12,126	13,490
Total RWA subject to AIRB approach	**287,858**	286,114	286,889
Specialised lending exposures subject to slotting criteria	**60,136**	58,611	56,024
Subject to Standardised approach			
Corporate	**1,194**	957	1,309
SME corporate	**752**	742	756
SME retail	**2,660**	2,929	4,586
Sovereign	**286**	267	218
Bank	**150**	68	66
Residential mortgage	**6,466**	6,635	6,478
Other retail	**1,017**	1,132	1,225
Other assets	**8,504**	10,281	9,752
Total RWA subject to Standardised approach	**21,029**	23,011	24,390
Securitisation	**2,981**	3,015	3,191
Credit valuation adjustment	**4,446**	3,057	4,358
Central counterparties	**450**	386	365
Total RWA for Credit Risk Exposures	**376,900**	374,194	375,217
Traded market risk	**11,161**	12,457	5,428
Interest rate risk in the banking book	**15,561**	11,085	8,998
Operational risk	**49,994**	57,212	59,511
Total risk weighted assets	**453,616**	454,948	449,154

1 Pursuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06.

3.2 Share Capital

	Half Year Ended		
	31 Dec 20	30 Jun 20	31 Dec 19
Shares on Issue	**Number**	Number	Number
Opening balance (excluding Treasury Shares deduction)	**1,770,239,507**	1,770,239,507	1,770,239,507
Dividend reinvestment plan issues:			
2018/2019 Final dividend fully paid ordinary shares $78.61 [1]	**–**	–	–
2019/2020 Interim dividend fully paid ordinary shares $73.37 [1]	**–**	–	–
2019/2020 Final dividend fully paid ordinary shares $68.53	**3,856,903**	–	–
Closing balance (excluding Treasury Shares deduction)	**1,774,096,410**	1,770,239,507	1,770,239,507
Less: Treasury Shares [2]	**(1,751,078)**	(2,095,440)	(2,140,454)
Closing balance	**1,772,345,332**	1,768,144,067	1,768,099,053

1 The DRP in respect of the interim 2019/2020, and final 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 7,080,363 shares at $73.37 and 7,810,285 shares at $78.61, 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).

Dividend Franking Account

After fully franking the interim dividend to be paid for the half year, the amount of credits available at the 30% tax rate as at 31 December 2020 to frank dividends for subsequent financial years is $2,307 million (June 2020: $2,007 million; December 2019: $1,255 million). This figure is based on the franking accounts of the Bank at 31 December 2020, adjusted for franking credits that will arise from the payment of income tax payable on profits for the half 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 31 December 2020.

Dividends

The Directors have determined a fully franked interim dividend of 150 cents per share amounting to $2,661 million. There is no foreign conduit income attributed to the interim dividend. The dividend is expected to be paid on 30 March 2021 to shareholders on the register at 5:00pm AEST on 17 February 2021.

The Board determines the dividend per share based on net profit after tax (“cash basis”) per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Capital needs to support economic, regulatory and credit ratings requirements;
- Investments and/or divestments to support business development;
- Competitors comparison and market expectations; and
- Earnings per share growth.

Dividend Reinvestment Plan

The Group has a Dividend Reinvestment Plan (DRP) that is available to shareholders in Australia and certain other jurisdictions. Shareholders can elect to participate to acquire fully paid ordinary shares instead of receiving a cash dividend payment. Shares issued under DRP rank equally with ordinary shares on issue. The DRP for the 2020 final dividend was satisfied by the issuance of shares and had a participation rate of 15.2%. The DRP for the 2020 interim dividend and 2019 final dividend were satisfied in full by the on-market purchase and transfer of shares, and had participation rates of 14.7% and 15.0%, respectively.

Record Date

The register closed for determination of dividend entitlement at 5:00pm AEST on 17 February 2021. The deadline for notifying a change to participation in the DRP was 5:00pm AEST on 18 February 2021.

Ex-Dividend Date

The ex-dividend date was 16 February 2021.

4. Other Information

4.1 General Insurance Sources of Profit

	Half Year Ended				
	31 Dec 20	30 Jun 20	31 Dec 19	Dec 20 vs	Dec 20 vs
Source of Profit from General Insurance	**$M**	$M	$M	Jun 20 %	Dec 19 %
General insurance operating margins	**22**	35	(18)	(37)	large
Investment experience after tax	**1**	2	2	(50)	(50)
Net profit after tax - "cash basis"	**23**	37	(16)	(38)	large
Net profit after tax - "statutory basis"	**23**	37	(16)	(38)	large

4.2 Intangible Assets (continuing operations basis)

	As at		
	31 Dec 20	30 Jun 20	31 Dec 19
	$M	$M	$M
Goodwill			
Purchased goodwill at cost	**5,269**	5,284	5,997
Closing balance	**5,269**	5,284	5,997
Computer Software Costs			
Cost	**4,166**	4,438	4,898
Accumulated amortisation	**(2,769)**	(3,089)	(3,480)
Closing balance	**1,397**	1,349	1,418
Brand Names [1]			
Cost	**186**	201	201
Closing balance	**186**	201	201
Other intangibles [2]			
Cost	**239**	267	319
Accumulated amortisation	**(148)**	(157)	(206)
Closing balance	**91**	110	113
Total intangible assets	**6,943**	6,944	7,729

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 is not subject to amortisation, but requires annual impairment testing. No impairment was recognised during the year.

2 Other intangibles include the value of customer and credit card relationships acquired from Bankwest. This value represents future net income generated from the relationship 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 licenses with a net book value of $90 million (30 June 2020: $99 million; 31 December 2019: $92 million).

4.3 ASX Appendix 4D

Cross Reference Index	Page
Details of Reporting Period and Previous Period (Rule 4.2A.3 Item No. 1)	**Inside Front Cover**
Results for Announcement to the Market (Rule 4.2A.3 Item No. 2)	**Inside Front Cover**
Dividends (Rule 4.2A.3 Item No. 5)	**175**
Dividend Dates (Rule 4.2A.3 Item No. 5)	**Inside Front Cover**
Dividend Reinvestment Plan (Rule 4.2A.3 Item No. 6)	**175**
Net Tangible Assets per Security (Rule 4.2A.3 Item No. 3)	**185**

Details of entities over which control was gained and lost during the period (Rule 4.2A.3 Item No.4)

On 21 December 2020, the Group gained control over Doshii Connect Pty Ltd.

Details of Associates and Joint Ventures (Rule 4.2A.3 Item No. 7)

As at 31 December 2020	Ownership Interest Held (%)
Aegis Correctional Partnership Pty Limited	50%
Aegis Correctional Partnership Trust	50%
Aegis Securitisation Nominees Pty Limited	50%
Aegis Securitisation Trust	50%
First State Cinda Fund Management Co., Ltd.	46%
Countplus Limited	36%
BPAY Group Holding Pty Ltd	25%
Trade Window Limited	22%
Vietnam International Commercial Joint Stock Bank	20%
Australian Business Growth Fund Pty Limited	19%
Payments NZ Limited	19%
Silicon Quantum Computing Pty Ltd	19%
Qilu Bank Co., Ltd.	18%
Torrens Group Holdings Pty Ltd	16%
Bank of Hangzhou Co., Ltd.	16%

Foreign Entities (Rule 4.2A.3 Item No.8)

Not applicable.

Independent auditor's review report subject to a modified opinion, emphasis of matter or other matter (Rule 4.2A.3 Item No.9)

Not applicable.

4.4 Profit Reconciliation

Non-cash items are excluded from net profit after tax ("cash basis"), which is management's preferred measure of the Group's financial performance, as they tend to be non-recurring in nature or are not considered representative of the Group's ongoing financial performance. The impact of these items on the Group's net profit after tax ("statutory basis") is outlined below and treated consistently with the prior financial year. A description of these items is provided below.

	Half Year Ended 31 December 2020			
Profit Reconciliation	Net profit after tax "cash basis" $M	Gain/(loss) on disposal and acquisition of controlled entities [1] $M	Hedging and IFRS volatility $M	Net profit after tax "statutory basis" $M
Group				
Interest income [2]	**12,786**	–	–	**12,786**
Interest expense	**(3,415)**	–	–	**(3,415)**
Net interest income	**9,371**	–	–	**9,371**
Other banking income	**2,419**	(59)	(6)	**2,354**
Total banking income	**11,790**	(59)	(6)	**11,725**
Funds management income	**80**	–	–	**80**
Insurance income	**91**	–	–	**91**
Total operating income	**11,961**	(59)	(6)	**11,896**
Operating expenses	**(5,566)**	(61)	–	**(5,627)**
Loan impairment expense	**(882)**	–	–	**(882)**
Net profit before tax	**5,513**	(120)	(6)	**5,387**
Corporate tax (expense)/benefit	**(1,627)**	19	(2)	**(1,610)**
Non-controlling interests	**–**	–	–	**–**
Net profit after income tax from continuing operations	**3,886**	(101)	(8)	**3,777**
Net profit after income tax from discontinued operations [3]	**89**	1,011	–	**1,100**
Net profit after income tax	**3,975**	910	(8)	**4,877**

1 These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserve recycling), and transaction and separation costs associated with the previously announced divestments.
2 Interest income includes total effective interest income and other interest income.
3 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Gain/(loss) on disposal and acquisition of controlled entities

Gains and losses on these transactions are inclusive of foreign exchange impacts, impairments, restructuring, separation and transactions 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. They do not affect the Group's performance over the life of the hedge relationship, and are recognised over the life of the hedged transaction. To qualify as an economic hedge the terms and/or risk profile must match or be substantially the same as the underlying exposure.

4.4 Profit Reconciliation (continued)

Profit Reconciliation	Half Year Ended 30 June 2020 [1] Net profit after tax "cash basis" $M	Gain/(loss) on disposal and acquisition of controlled entities [2] $M	Hedging and IFRS volatility $M	Net profit after tax "statutory basis" $M
Group				
Interest income [3]	**14,216**	–	–	**14,216**
Interest expense	**(4,956)**	–	–	**(4,956)**
Net interest income	**9,260**	–	–	**9,260**
Other banking income	**2,294**	32	82	**2,408**
Total banking income	**11,554**	32	82	**11,668**
Funds management income	**75**	–	–	**75**
Insurance income	**109**	–	–	**109**
Total operating income	**11,738**	32	82	**11,852**
Operating expenses	**(5,689)**	(29)	–	**(5,718)**
Loan impairment expense	**(1,869)**	–	–	**(1,869)**
Net profit before tax	**4,180**	3	82	**4,265**
Corporate tax (expense)/benefit	**(1,240)**	7	(25)	**(1,258)**
Non-controlling interests	**–**	–	–	**–**
Net profit after income tax from continuing operations	**2,940**	10	57	**3,007**
Net profit after income tax from discontinued operations [4]	**15**	451	–	**466**
Net profit after income tax	**2,955**	461	57	**3,473**

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 for further information.
2 These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserve recycling), and transaction and separation costs associated with the previously announced divestments.
3 Interest income includes total effective interest income and other interest income.
4 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

4.4 Profit Reconciliation (continued)

Profit Reconciliation	Net profit after tax "cash basis" $M	Gain/(loss) on disposal and acquisition of controlled entities [2] $M	Hedging and IFRS volatility $M	Net profit after tax "statutory basis" $M
	Half Year Ended 31 December 2019 [1]			
Group				
Interest income [3]	**15,946**	–	–	**15,946**
Interest expense	**(6,596)**	–	–	**(6,596)**
Net interest income	**9,350**	–	–	**9,350**
Other banking income	**2,543**	(3)	54	**2,594**
Total banking income	**11,893**	(3)	54	**11,944**
Funds management income	**98**	–	–	**98**
Insurance income	**32**	–	–	**32**
Total operating income	**12,023**	(3)	54	**12,074**
Operating expenses	**(5,206)**	(5)	–	**(5,211)**
Loan impairment expense	**(649)**	–	–	**(649)**
Net profit before tax	**6,168**	(8)	54	**6,214**
Corporate tax (expense)/benefit	**(1,812)**	68	(18)	**(1,762)**
Non-controlling interests	**–**	–	–	**–**
Net profit after income tax from continuing operations	**4,356**	60	36	**4,452**
Net profit after income tax from discontinued operations [4]	**138**	1,571	–	**1,709**
Net profit after income tax	**4,494**	1,631	36	**6,161**

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 for further information.
2 These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserve recycling), and transaction and separation costs associated with the previously announced divestments.
3 Interest income includes total effective interest income and other interest income.
4 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

4.5 Analysis Template

Ratios - Output Summary (continuing operations basis)	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M
	Half Year Ended [1]		
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	**3,886**	2,940	4,356
Average number of shares (M) - "cash basis"	**1,770**	1,769	1,769
Earnings Per Share basic - "cash basis" (cents)	**219. 5**	166. 2	246. 2
Net profit after tax - "statutory basis"	**3,777**	3,007	4,452
Average number of shares (M) - "statutory basis"	**1,770**	1,769	1,769
Earnings Per Share basic - "statutory basis" (cents)	**213. 4**	170. 0	251. 7
Interest expense (after tax) - PERLS VII	**23**	28	31
Interest expense (after tax) - PERLS VIII	**21**	22	25
Interest expense (after tax) - PERLS IX	**25**	29	31
Interest expense (after tax) - PERLS X	**18**	20	23
Interest expense (after tax) - PERLS XI	**22**	25	28
Interest expense (after tax) - PERLS XII	**19**	22	6
Profit impact of assumed conversions (after tax)	**128**	146	144
Weighted average number of shares - PERLS VII (M)	**44**	38	38
Weighted average number of shares - PERLS VIII (M)	**22**	18	18
Weighted average number of shares - PERLS IX (M)	**24**	21	20
Weighted average number of shares - PERLS X (M)	**20**	17	17
Weighted average number of shares - PERLS XI (M)	**24**	20	20
Weighted average number of shares - PERLS XII (M)	**24**	21	5
Weighted average number of shares - Employee share plans (M)	**2**	2	1
Weighted average number of shares - dilutive securities (M)	**160**	137	119
Net profit after tax - "cash basis"	**3,886**	2,940	4,356
Add back profit impact of assumed conversions (after tax)	**128**	146	144
Adjusted diluted profit for EPS calculation	**4,014**	3,086	4,500
Average number of shares (M) - "cash basis"	**1,770**	1,769	1,769
Add back weighted average number of shares (M)	**160**	137	119
Diluted average number of shares (M)	**1,930**	1,906	1,888
Earnings Per Share diluted - "cash basis" (cents)	**208. 0**	161. 9	238. 3
Net profit after tax - "statutory basis"	**3,777**	3,007	4,452
Add back profit impact of assumed conversions (after tax)	**128**	146	144
Adjusted diluted profit for EPS calculation	**3,905**	3,153	4,596
Average number of shares (M) - "statutory basis"	**1,770**	1,769	1,769
Add back weighted average number of shares (M)	**160**	137	119
Diluted average number of shares (M)	**1,930**	1,906	1,888
Earnings Per Share diluted - "statutory basis" (cents)	**202. 4**	165. 5	243. 4

1 Calculations are based on actual numbers prior to rounding to the nearest million.

4.5 Analysis Template (continued)

	Half Year Ended [1]		
	31 Dec 20	30 Jun 20	31 Dec 19
Ratios - Output Summary (including discontinued operations)	**$M**	$M	$M
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	**3,975**	2,955	4,494
Average number of shares (M) - "cash basis"	**1,770**	1,769	1,769
Earnings Per Share basic - "cash basis" (cents)	**224. 5**	167. 1	254. 0
Net profit after tax - "statutory basis"	**4,877**	3,473	6,161
Average number of shares (M) - "statutory basis"	**1,770**	1,769	1,769
Earnings Per Share basic - "statutory basis" (cents)	**275. 5**	196. 3	348. 4
Interest expense (after tax) - PERLS VII	**23**	28	31
Interest expense (after tax) - PERLS VIII	**21**	22	25
Interest expense (after tax) - PERLS IX	**25**	29	31
Interest expense (after tax) - PERLS X	**18**	20	23
Interest expense (after tax) - PERLS XI	**22**	25	28
Interest expense (after tax) - PERLS XII	**19**	22	6
Profit impact of assumed conversions (after tax)	**128**	146	144
Weighted average number of shares - PERLS VII (M)	**44**	38	38
Weighted average number of shares - PERLS VIII (M)	**22**	18	18
Weighted average number of shares - PERLS IX (M)	**24**	21	20
Weighted average number of shares - PERLS X (M)	**20**	17	17
Weighted average number of shares - PERLS XI (M)	**24**	20	20
Weighted average number of shares - PERLS XII (M)	**24**	21	5
Weighted average number of shares - Employee share plans (M)	**2**	2	1
Weighted average number of shares - dilutive securities (M)	**160**	137	119
Net profit after tax - "cash basis"	**3,975**	2,955	4,494
Add back profit impact of assumed conversions (after tax)	**128**	146	144
Adjusted diluted profit for EPS calculation	**4,103**	3,101	4,638
Average number of shares (M) - "cash basis"	**1,770**	1,769	1,769
Add back weighted average number of shares (M)	**160**	137	119
Diluted average number of shares (M)	**1,930**	1,906	1,888
Earnings Per Share diluted - "cash basis" (cents)	**212. 6**	162. 7	245. 6
Net profit after tax - "statutory basis"	**4,877**	3,473	6,161
Add back profit impact of assumed conversions (after tax)	**128**	146	144
Adjusted diluted profit for EPS calculation	**5,005**	3,619	6,305
Average number of shares (M) - "statutory basis"	**1,770**	1,769	1,769
Add back weighted average number of shares (M)	**160**	137	119
Diluted average number of shares (M)	**1,930**	1,906	1,888
Earnings Per Share diluted - "statutory basis" (cents)	**259. 4**	189. 9	334. 0

1 Calculations are based on actual numbers prior to rounding to the nearest million.

4.5 Analysis Template (continued)

Dividends Per Share (DPS)	Half Year Ended [1]		
Dividends (including discontinued operations)	**31 Dec 20**	30 Jun 20	31 Dec 19
Dividends per share (cents) - fully franked	**150**	98	200
No. of shares at end of period excluding Treasury shares deduction (M)	**1,774**	1,770	1,770
Total dividends ($M)	**2,661**	1,735	3,540
Dividend payout ratio - "cash basis"			
Net profit after tax - attributable to ordinary shareholders	**3,975**	2,955	4,494
Total dividends ($M)	**2,661**	1,735	3,540
Payout ratio - "cash basis" (%)	**66.95**	58.71	78.78
Dividend cover			
Net profit after tax - attributable to ordinary shareholders	**3,975**	2,955	4,494
Total dividends ($M)	**2,661**	1,735	3,540
Dividend cover - "cash basis" (times)	**1. 5**	1. 7	1. 3

1 Calculations are based on actual numbers prior to rounding to the nearest million.

	Half Year Ended [1]		
	31 Dec 20	30 Jun 20	31 Dec 19
Ratios - Output Summary (continuing operations basis)	**$M**	$M	$M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets	**73,508**	71,583	70,328
Less:			
Average non-controlling interests	**(5)**	(28)	(53)
Average equity	**73,503**	71,555	70,275
Add average treasury shares	**–**	–	43
Net average equity	**73,503**	71,555	70,318
Net profit after tax - "cash basis"	**3,886**	2,940	4,356
ROE - "cash basis" (%)	**10. 5**	8. 3	12. 3
Return on Equity - "statutory basis"			
Average net assets	**73,508**	71,583	70,328
Average non-controlling interests	**(5)**	(28)	(53)
Average equity	**73,503**	71,555	70,275
Net profit after tax - "statutory basis"	**3,777**	3,007	4,452
ROE - "statutory basis" (%)	**10. 2**	8. 5	12. 6

1 Calculations are based on actual numbers prior to rounding to the nearest million.

4.5 Analysis Template (continued)

Ratios - Output Summary (including discontinued operations)	Half Year Ended [1] 31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets	**73,508**	71,583	70,328
Less:			
Average non-controlling interests	**(5)**	(28)	(53)
Average equity	**73,503**	71,555	70,275
Add average treasury shares	**–**	–	43
Net average equity	**73,503**	71,555	70,318
Net profit after tax - "cash basis"	**3,975**	2,955	4,494
ROE - "cash basis" (%)	**10. 7**	8. 3	12. 7
Return on Equity - "statutory basis"			
Average net assets	**73,508**	71,583	70,328
Average non-controlling interests	**(5)**	(28)	(53)
Average equity	**73,503**	71,555	70,275
Net profit after tax - "statutory basis"	**4,877**	3,473	6,161
ROE - "statutory basis" (%)	**13. 2**	9. 8	17. 4
Net Tangible Assets per share			
Net assets	**75,003**	72,013	71,153
Less:			
Intangible assets	**(7,704)**	(7,649)	(7,739)
Non-controlling interests	**(5)**	(5)	(51)
Total net tangible assets	**67,294**	64,359	63,363
No. of shares at end of period excluding Treasury shares deduction (M)	**1,774**	1,770	1,770
Net Tangible Assets per share ($)	**37. 93**	36. 36	35. 79

1 Calculations are based on actual numbers prior to rounding to the nearest million.

4.6 Group Performance Summary

Group Performance Summary	Summary from continuing operations					Summary including discontinued operations				
	Half Year Ended [1] ("cash basis")					Half Year Ended [1] ("cash basis")				
	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M	Dec 20 vs Jun 20 %	Dec 20 vs Dec 19 %
Net interest income	**9,371**	9,260	9,350	1	–	**9,373**	9,269	9,376	1	–
Other banking income	**2,419**	2,294	2,543	5	(5)	**2,452**	2,333	2,542	5	(4)
Total banking income	**11,790**	11,554	11,893	2	(1)	**11,825**	11,602	11,918	2	(1)
Funds management income	**80**	75	98	7	(18)	**421**	445	601	(5)	(30)
Insurance income	**91**	109	32	(17)	large	**91**	123	68	(26)	34
Total operating income	**11,961**	11,738	12,023	2	(1)	**12,337**	12,170	12,587	1	(2)
Operating expenses	**(5,566)**	(5,689)	(5,206)	(2)	7	**(5,814)**	(6,092)	(5,577)	(5)	4
Loan impairment expense	**(882)**	(1,869)	(649)	(53)	36	**(882)**	(1,869)	(649)	(53)	36
Net profit before tax	**5,513**	4,180	6,168	32	(11)	**5,641**	4,209	6,361	34	(11)
Corporate tax expense	**(1,627)**	(1,240)	(1,812)	31	(10)	**(1,666)**	(1,254)	(1,864)	33	(11)
Non-controlling interests	**–**	–	–	–	–	**–**	–	(3)	–	large
Net profit after tax	**3,886**	2,940	4,356	32	(11)	**3,975**	2,955	4,494	35	(12)
Net profit after tax from discontinued operations	**89**	15	138	large	(36)	**–**	–	–	–	–
Net profit after tax including discontinued operations	**3,975**	2,955	4,494	35	(12)	**3,975**	2,955	4,494	35	(12)

1 Comparative information has been restated to conform to the presentation in the current period. Refer to Appendix 4.9 for further information.

4.7 Foreign Exchange Rates

Exchange Rates Utilised [1]	Currency	As at 31 Dec 20	30 Jun 20	31 Dec 19
AUD 1.00 =	USD	**0. 7705**	0. 6854	0. 7004
	EUR	**0. 6270**	0. 6114	0. 6253
	GBP	**0. 5657**	0. 5584	0. 5341
	NZD	**1. 0667**	1. 0705	1. 0409
	JPY	**79. 4750**	73. 8002	76. 1235

Average Exchange Rates Utilised [2]	Currency	Half Year Ended 31 Dec 20	30 Jun 20	31 Dec 19
AUD 1.00 =	USD	**0. 7228**	0. 6585	0. 6846
	EUR	**0. 6123**	0. 5972	0. 6170
	GBP	**0. 5536**	0. 5218	0. 5440
	NZD	**1. 0727**	1. 0497	1. 0589
	JPY	**76. 0995**	71. 2627	73. 9688

1 Unless noted otherwise, rates are sourced from Bloomberg and are End of day, Sydney time.
2 Unless noted otherwise, rates are the six month period average of End of day, (Sydney time) rates sourced from Bloomberg.

4.8 Definitions

Glossary of Terms

Term	Description
Assets under management	Assets under management (AUM) represents the market value of assets for which the Group acts as appointed manager. Growth and volatility in this balance is a key performance indicator for the Wealth Management and New Zealand businesses.
Bankwest	Bankwest is active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products. The retail banking activities conducted under the Bankwest brand are consolidated into Retail Banking Services, and the business banking activities conducted under the Bankwest brand are consolidated into Business Banking.
Basis Risk	Basis Risk arises from the spread between the 3 month bank bill swap rate and the 3 month overnight index swap rate.
Business Banking	Business Banking (formerly 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 equities trading and margin lending services through the CommSec business. Business Banking also includes the financial results of business banking activities conducted under the Bankwest brand. From July 2020, Commonwealth Private has been consolidated into the Retail Banking Services.
Common Equity Tier 1 (CET1) Capital	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.
Corporate Centre (including eliminations)	Corporate Centre includes the results of unallocated Group support functions such as Treasury, Investor Relations, Group Strategy, Legal and Corporate Affairs. It also includes Group-wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.
Corporations Act 2001	*Corporations Act 2001* (Cth).
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").
DRP	Dividend reinvestment plan.
DRP participation	The percentage of total issued capital participating in the dividend reinvestment plan.
Earnings per share (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 period, per the requirements of relevant accounting standards.
Earnings per share (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.
Full-time equivalent staff	Includes all permanent full-time staff, part-time staff equivalents and external contractors employed through third-party agencies.
Funds under administration	Funds under administration (FUA) represents the market value of funds administered by the Group and excludes AUM. Growth and volatility in this balance is a key performance indicator for the Wealth Management and New Zealand businesses.
International Financial Services	International Financial Services (IFS) incorporates the Indonesian retail and business banking operations, and associate investments in China (Bank of Hangzhou and Qilu Bank) and Vietnam (Vietnam International Bank). It does not include the Business Banking and Institutional Banking and Markets businesses in Asia.
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.

Term	Description
Interest rate risk in the banking book (IRRBB)	Interest rate risk in the banking book (IRRBB) 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 Bank's Capital Disclosure Report.
Leverage Ratio	Common Equity Tier 1 Capital divided by Total Exposures, with this ratio expressed as a percentage.
Liquidity Coverage Ratio (LCR)	The LCR is a quantitative liquidity measure that is part of the Basel III reforms. It was implemented by APRA in Australia on 1 January 2015. It requires Australian ADIs to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA-prescribed stress scenario.
Net profit after tax ("cash basis")	Represents net profit after tax and non-controlling interests before non-cash items including, hedging and IFRS volatility, and losses or gains on acquisition, 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 Stable Funding Ratio (NSFR)	The NSFR more closely aligns the behaviour term of assets and liabilities. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an Authorised Deposit-taking Institution's (ADI) capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off Balance Sheet activities.
Net tangible assets per share	Net assets excluding intangible assets, non-controlling interests, and other equity instruments divided by ordinary shares on issue at the end of the period (excluding Treasury Shares deduction). Right of use assets are included in net tangible assets per share.
New Zealand	New Zealand includes the banking and funds management businesses operating in New Zealand under the ASB brand. ASB provides a range of banking, wealth and insurance products and services to its personal, business, rural and corporate customers in 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.
Operating expenses to total operating income	Represents operating expenses as a percentage of total operating income. The ratio is a key efficiency measure.
Other Overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
Retail Banking Services	Retail Banking Services provides banking and general insurance products and services to personal and private bank customers. Retail Banking Services also includes the financial results of retail banking activities conducted under the Bankwest brand.
Return on equity ("cash basis")	Based on 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.
Risk Weighted Assets (RWA)	The value of the Group's On and Off Balance Sheet assets are adjusted by risk weights calculated according to various APRA prudential standards. For more information, refer to the APRA website.
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.
Wealth Management	Wealth Management provides superannuation, investment and retirement products which help to improve the financial wellbeing of our customers. Wealth Management is now classified as discontinued operations.
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.

Appendices (continued)

Term	Description
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 the employee share scheme trust.

Market Share Definitions

Retail Banking Services	
Home loans (APRA)	CBA Loans to individuals that are Securitised Owner Occupied and Investment Home Loans as per APRA monthly ADI Statistics, **divided by** APRA Monthly ADI Statistics back series.
Home Loans (RBA)	CBA Loans to individuals that are Securitised Owner Occupied and Investment Home Loans as per APRA monthly ADI Statistics + separately reported subsidiaries: Wallaby Trust, Residential Mortgage Group P/L, **divided by** RBA Financial Aggregates Owner Occupied and Investor Home Lending (includes ADIs and RFCs).
Credit cards (APRA)	CBA Personal Credit Card Lending (APRA), **divided by** Loans to Households: Credit Cards (APRA Monthly ADI Statistics back series).
Consumer finance (other household lending)	CBA Lending to Individuals which includes: Personal Loans, Margin Lending, Personal Leasing, Revolving Credit, Overdrafts, and Home Loans for personal purposes, **divided by** Loans to Households: Other (APRA Monthly ADI Statistics back series).
Household deposits	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for Households (individuals) excluding Self-Managed Super Funds (as per deposit balances submitted to APRA in ARF720.2A Deposits), **divided by** Deposits from Households (APRA Monthly ADI Statistics back series).
Business Banking	
Business lending (APRA)	CBA Total Loans to residents as reported under APRA definitions for the Non-Financial Corporations sector (as per lending balances submitted to APRA in ARF720.1A ABS/RBA Loans and Finance Leases) (this includes some Housing Loans to businesses), **divided by** Loans to Non-Financial Businesses (APRA Monthly ADI Statistics back series).
Business lending (RBA)	CBA Business Lending and Credit: specific “business lending” categories in lodged APRA returns – ARF720.1A ABS/RBA Loans and Finance Leases, ARF720.7 ABS/RBA Bill Acceptances and Endorsements, excluding sub-categories of RBA, ADIs, RFCs and central borrowing authorities, **divided by** RBA Total Business Lending (adjusted for series breaks).
Business deposits (APRA)	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for the non-financial corporations sector (as per deposit balances submitted to APRA in ARF720.2A Deposits), **divided by** Deposits from Non-Financial Businesses (from APRA Monthly ADI Statistics back series).
Equities trading	Twelve months rolling average of Australian equities traded value (CommSec excluding AUSIEX), **divided by** Twelve months rolling average of total Australian equities market traded value.

Market Share Definitions

Wealth Management	
Australian Retail	Total funds in CBA Wealth Management retail investment products (including WM products badged by other parties), **divided by** Total funds in retail investment products market (from Strategic Insight).
FirstChoice Platform	Total funds in FirstChoice platform, **divided by** Total funds in platform/masterfund market (from Strategic Insight).
New Zealand	
Home loans	All ASB residential mortgages for owner occupier and residential investor property use, **divided by** Total New Zealand residential mortgages for owner occupier and residential investor property use of all New Zealand registered banks (from RBNZ).
Customer deposits	All resident and non-resident deposits on ASB Balance Sheet, **divided by** Total resident and non-resident deposits of all New Zealand registered banks (from RBNZ).
Business lending	All New Zealand Dollar loans for business use on ASB Balance Sheet excluding agriculture loans, **divided by** Total New Zealand Dollar loans for business use of all New Zealand registered banks excluding agriculture loans (from RBNZ).
Retail AUM	Total ASB AUM, **divided by** Total Market net Retail AUM (from Fund Source Research Limited).

4.9 Disclosure Changes

Financial Reporting Changes in this Document

Changes to financial reporting arising from the simplification of CBA's operating model

Continued simplifications have been made to CBA's operating model during the current half which results in changes to comparative financial information. These changes have not impacted CBA's Net profit after tax ("statutory basis"), but result in changes to the presentation of the Divisional Income Statements and Balance Sheets of the affected divisions. The key changes are:

- The Business and Private Banking division has been renamed Business Banking, and Commonwealth Private has been transferred from Business Banking to Retail Banking Services bringing together the management of all high net worth customer segments into the same business unit.
- As part of the Group's strategy to be number one in business banking, we have established the Major Client Group (MCG) within the Business Banking division. MCG provides specialised, dedicated support and service to the largest clients within Business Banking.

Following the transfer of Commonwealth Private and creation of MCG, we have continued to enhance our classification of retail and business banking portfolios resulting in some customers being transferred between Retail Banking Services, Business Banking, and Institutional Banking and Markets.

4.9 Disclosure Changes (continued)

Segment Statutory NPAT (impact by adjustment type)

The impact of the following changes is presented below:

- Commonwealth Private portfolio transfer
- Other re-segmentations and allocations

	Half Year Ended 30 June 2020							
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	International Financial Services $M	Corporate Centre $M	Wealth Management $M	Group $M
Stat NPAT (incl. disc ops) - as published	1,821	1,139	179	445	195	(643)	337	**3,473**
Restatements in the current half:								
Commonwealth Private portfolio transfer	75	(69)	(6)	-	-	-	-	-
Other re-segmentations and allocations	(18)	(8)	(5)	1	(2)	32	-	-
Total restatements	57	(77)	(11)	1	(2)	32	-	-
Stat NPAT (incl. disc ops) - as restated	**1,878**	**1,062**	**168**	**446**	**193**	**(611)**	**337**	**3,473**

	Half Year Ended 31 December 2019							
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	International Financial Services $M	Corporate Centre $M	Wealth Management $M	Group $M
Stat NPAT (incl. disc ops) - as published	2,217	1,499	476	500	118	(347)	1,698	**6,161**
Restatements in the current half:								
Commonwealth Private portfolio transfer	93	(89)	(4)	-	-	-	-	-
Other re-segmentations and allocations	(5)	(14)	(7)	5	(2)	23	-	-
Total restatements	88	(103)	(11)	5	(2)	23	-	-
Stat NPAT (incl. disc ops) - as restated	**2,305**	**1,396**	**465**	**505**	**116**	**(324)**	**1,698**	**6,161**

4.9 Disclosure Changes (continued)

Segment Statutory NPAT (impact by P&L line item)

The impact of the following changes is presented below:

- Commonwealth Private portfolio transfer
- Other re-segmentations and allocations

	Half Year Ended 30 June 2020							
	Retail Banking Services	Business Banking	Institutional Banking and Markets	New Zealand	International Financial Services	Corporate Centre	Wealth Management	Group
	$M	$M	$M	$M	$M	$M	$M	$M
Stat NPAT (incl. disc ops) - as published	1,821	1,139	179	445	195	(643)	337	**3,473**
Restatements:								
Increase/(decrease) in Operating income	175	(211)	(12)	-	(3)	51	-	**-**
(Increase)/decrease in Operating expenses	(70)	72	1	-	-	(3)	-	**-**
(Increase)/decrease in Loan impairment expense	(22)	25	(4)	-	-	1	-	**-**
(Increase)/decrease in Corporate tax expense	(26)	37	4	1	1	(17)	-	**-**
Total restatements	57	(77)	(11)	1	(2)	32	-	**-**
Stat NPAT (incl. disc ops) - as restated	**1,878**	**1,062**	**168**	**446**	**193**	**(611)**	**337**	**3,473**

	Half Year Ended 31 December 2019							
	Retail Banking Services	Business Banking	Institutional Banking and Markets	New Zealand	International Financial Services	Corporate Centre	Wealth Management	Group
	$M	$M	$M	$M	$M	$M	$M	$M
Stat NPAT (incl. disc ops) - as published	2,217	1,499	476	500	118	(347)	1,698	**6,161**
Restatements:								
Increase/(decrease) in Operating income	201	(228)	(12)	7	(3)	35	-	**-**
(Increase)/decrease in Operating expenses	(74)	76	-	-	-	(2)	-	**-**
(Increase)/decrease in Loan impairment expense	(2)	5	(2)	-	-	(1)	-	**-**
(Increase)/decrease in Corporate tax expense	(37)	44	3	(2)	1	(9)	-	**-**
Total restatements	88	(103)	(11)	5	(2)	23	-	**-**
Stat NPAT (incl. disc ops) - as restated	**2,305**	**1,396**	**465**	**505**	**116**	**(324)**	**1,698**	**6,161**

4.9 Disclosure Changes (continued)

Segment Balance Sheet

The impact of the following changes is presented below:

- Commonwealth Private portfolio transfer
- Other re-segmentations and allocations

	As at 30 June 2020						
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	IFS & Corporate Centre $M	Wealth Management $M	Group $M
Total Assets - as published at 30 June 2020	406,962	196,710	171,110	98,539	138,253	2,486	**1,014,060**
Restatements in the current half:							
Commonwealth Private portfolio transfer	13,616	(13,965)	349	-	-	-	-
Other re-segmentations and allocations	(148)	(98)	109	-	950	(813)	-
Total restatements	13,468	(14,063)	458	-	950	(813)	-
Total Assets - as restated	**420,430**	**182,647**	**171,568**	**98,539**	**139,203**	**1,673**	**1,014,060**
Total Liabilities - as published at 30 June 2020	266,685	178,192	186,387	91,796	210,034	8,953	**942,047**
Restatements in the current half:							
Commonwealth Private portfolio transfer	18,085	(18,208)	123	-	-	-	-
Other re-segmentations and allocations	(419)	972	(603)	-	79	(29)	-
Total restatements	17,666	(17,236)	(480)	-	79	(29)	-
Total Liabilities - as restated	**284,351**	**160,956**	**185,907**	**91,796**	**210,113**	**8,924**	**942,047**

	As at 31 December 2019						
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	IFS & Corporate Centre $M	Wealth Management $M	Group $M
Total Assets - as published at 30 June 2020	401,436	195,095	160,134	96,844	122,987	3,372	**979,868**
Restatements in the current half:							
Commonwealth Private portfolio transfer	13,417	(13,828)	411	-	-	-	-
Other re-segmentations and allocations	298	(461)	85	-	111	(33)	-
Total restatements	13,715	(14,289)	496	-	111	(33)	-
Total Assets - as restated	**415,151**	**180,806**	**160,630**	**96,844**	**123,098**	**3,339**	**979,868**
Total Liabilities - as published at 30 June 2020	255,858	163,601	164,345	90,432	225,895	8,584	**908,715**
Restatements in the current half:							
Commonwealth Private portfolio transfer	17,282	(17,407)	125	-	-	-	-
Other re-segmentations and allocations	(478)	233	233	-	(75)	87	-
Total restatements	16,804	(17,174)	358	-	(75)	87	-
Total Liabilities - as restated	**272,662**	**146,427**	**164,703**	**90,432**	**225,820**	**8,671**	**908,715**

4.9 Disclosure Changes (continued)

Segment Cost to Income Ratios

The impact of the following changes is presented below:

- Commonwealth Private portfolio transfer
- Other re-segmentations and allocations

	Half Year Ended 30 June 2020						
	Retail Banking Services %	Business Banking %	Institutional Banking and Markets %	New Zealand %	International Financial Services %	Wealth Management [1] %	Group %
Statutory operating expenses to total operating income (continuing operations) (%) - as published	40. 7	37. 7	48. 4	37. 7	37. 0	144. 0	**48. 2**
Statutory operating expenses to total operating income (continuing operations) (%) - as restated	40. 7	38. 0	48. 9	37. 7	37. 6	141. 0	**48. 2**

1 Wealth Management including discontinued operations.

	Half Year Ended 31 December 2019						
	Retail Banking Services %	Business Banking %	Institutional Banking and Markets %	New Zealand %	International Financial Services %	Wealth Management [1] %	Group %
Statutory operating expenses to total operating income (continuing operations) (%) - as published	40. 3	35. 1	40. 8	40. 3	35. 8	11. 1	**43. 2**
Statutory operating expenses to total operating income (continuing operations) (%) - as restated	40. 1	35. 2	41. 2	40. 0	36. 3	11. 0	**43. 2**

1 Wealth Management including discontinued operations.

4.10 Independent Auditors

With respect to the unaudited financial information contained in the half-year financial report of Commonwealth Bank of Australia which comprises the balance sheet, the income statement, the statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes for the six-month periods ended 31 December 2020, 30 June 2020, and 31 December 2019, included in this Document, PricewaterhouseCoopers, an Australian partnership ("PwC Australia") reported that they have applied review procedures in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report by the Independent Auditor of the Entity. Their separate report dated 10 February 2021 appearing herein states that they did not perform an audit and they do not express an audit opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.