Profit Announcement

For the full year ended
30 June 2021

Commonwealth
Bank

ASX Appendix 4E

Results for announcement to the market [1]

Report for the year ended 30 June 2021

	$M	
Revenue from ordinary activities [2, 3]	**24,414**	**up 2%**
Profit/(loss) from ordinary activities after tax attributable to Equity holders	**10,181**	**up 6%**
Net profit/(loss) for the year attributable to Equity holders	**10,181**	**up 6%**
Dividends (distributions)		
Final dividend - fully franked (cents per share)		**200**
Interim dividend - fully franked (cents per share)		**150**
Record date for determining entitlements to the dividend		**18 August 2021**

[1] Rule 4.3A.

[2] Information has been presented on a continuing operations basis.

[3] Represents total net operating income before operating expenses and impairment.

The release of this announcement was authorised by the Board.

Commonwealth Bank of Australia I Media Release 180/2021 I ACN 123 123 124 I Ground Floor Tower 1, 201 Sussex Street, Sydney NSW 2000 I 11 August 2021.

This preliminary final report is provided to the ASX under Rule 4.3A. Refer to Appendix 6.2 ASX Appendix 4E on page 115 for disclosures under ASX Listing Rules.

This report should be read in conjunction with the 30 June 2021 Annual Financial Report of the Commonwealth Bank of Australia and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Except where otherwise stated, all figures relate to the full year ended 30 June 2021. The term “prior year” refers to the full year ended 30 June 2020, while the term “prior half” refers to the half year ended 31 December 2020.

Important dates for shareholders

Full year results announcement	**11 August 2021**
Ex-dividend date	**17 August 2021**
Record date	**18 August 2021**
Last date to change participation in DRP	**19 August 2021**
Final dividend payment date	**29 September 2021**
2021 Annual General Meeting	**13 October 2021**
Half Year Results Announcement	**9 February 2022**

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ASX
Announcement

ASX Announcement

FY21 Results

For the year ended 30 June 2021[1]

Commonwealth Bank

Our financial results for the 2021 financial year reflect the strength of our business and the disciplined execution of our strategy.

Net profit after tax

$8,843m

Statutory NPAT

▲ 19.7% on FY20

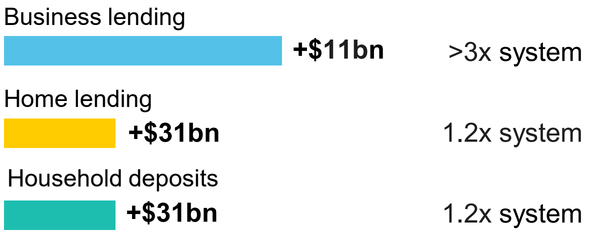
$8,653m

Cash NPAT

▲ 19.8% on FY20

Net profit after tax (NPAT) increased due to improved economic conditions and outlook resulting in a lower loan impairment expense and a strong operational performance.

Volume growth in core businesses[3]



Common Equity Tier 1 capital ratio

13.1%

APRA (Level 2)[4]

▲ 150bpts on FY20

Above APRA's 'unquestionably strong' benchmark of 10.5%. CET1 capital ratio of 19.4% on an internationally comparable basis.

Customer support[5]

158,000

Home loan customers

~6,800 new deferrals[6]

83,000

Business customers

~240 new deferrals[6]

Through short-term repayment deferrals we have supported many of our customers through the financial challenges posed since the onset of the pandemic.

Loan impairment expense and provisions

$554m

▼ 78% on FY20

1.63%

Provision coverage ratio[2]

Loan impairment expense decreased reflecting an improvement in economic conditions and outlook. We have maintained a strong provision coverage ratio of 1.63%, reflecting the economic uncertainty from the continuing impacts of COVID-19.

Net interest margin

2.03%

▼ 4bpts on FY20

Group NIM declined due to higher liquid assets and the ongoing impact of a low interest rate environment, partly offset by management actions, lower wholesale funding costs and favourable funding mix.

Dividend

$3.50

Per share, fully franked

▲ 17% on FY20

The full year dividend was supported by the Bank's strong capital position. The final dividend is $2.00 per share, fully franked. The interim dividend was $1.50 per share, fully franked.

Capital return

$6.0bn

Off-market share buy-back

The Group's strong capital position and our progress on executing our strategy mean we are well placed to support our customers and manage ongoing uncertainties, while also returning a portion of excess capital to shareholders.

For footnotes see the page vii of this ASX Announcement.

Results overview

A more ambitious agenda

Chief Executive Officer, Matt Comyn

The continuing strength of our businesses, combined with a focus on customer needs, digital engagement and consistent operational excellence has contributed to a strong financial result this year.

We are focused on continuing to make progress on our more ambitious strategy – building tomorrow's bank today for our customers. Reimagining banking through new products and partnerships that will support our customers and help build Australia's future economy, while focused on disciplined execution and investing in digital and technology capability.

A highlight of the result is our continued balance sheet strength and very strong capital position that has allowed us to support our customers while delivering strong and sustainable returns to shareholders. As a result, a final dividend of $2.00 per share, fully franked, has been determined, with shareholders receiving a full year franked dividend of $3.50.

Strategic divestments have generated $6.2 billion[1] in excess capital since 2018. Today we have announced an off-market buy-back of up to $6 billion of CBA shares as the most efficient and appropriate way to commence the return of surplus capital, as shareholders will benefit from a lower share count that will support return on equity and dividends per share.

Key financials

For the full year ended 30 June 2021.

- **Statutory NPAT**[2] was $8,843m, up 19.7%.
- **Cash NPAT** of $8,653m was 19.8% higher due to an improvement in economic conditions and outlook resulting in a lower loan impairment expense and a strong contribution from volume growth in all core markets.
- **Operating income** was $24,156m, up 1.7%, with strong volume growth and improved fee income offset by a lower net interest margin.
- **Net interest margin** was 2.03%, down by 4bpts due to higher liquid assets, with the impact of the low-rate environment largely offset by management actions, lower wholesale funding costs and favourable funding mix.
- **Operating expenses** were $11,359m, up 3.3% (up 2.4% excluding remediation costs), driven by investment in the franchise and higher volumes.
- **Loan impairment expense** decreased to $554m as a result of an improvement in economic conditions and outlook. The loan loss rate reduced to 7bpts, down from 33bpts in FY20.
- **Deposit funding** of 73%, as the Group continued to satisfy a significant portion of its funding requirements from customer deposits.
- **Common Equity Tier 1** (CET1) capital ratio of 13.1% (Level 2, APRA), well above APRA's 'unquestionably strong' benchmark of 10.5%.
- **Final dividend** of $2.00 per share, taking the full year dividend to $3.50 per share, fully franked.

Outlook

Chief Executive Officer, Matt Comyn

Support during challenging times.

Helping our customers and the broader economy as the recovery continues is our priority.

While the Australian economic recovery continued strongly through most of FY21, the pandemic continues to have an impact on the Australian economy, as well as the health of our communities. The ongoing roll-out of the vaccination program and government support packages will be important to help Australians and the economy on the path back towards full economic activity.

As the past 18 months have shown, Australia has a very strong, stable and secure financial system. This includes well-capitalised and strong banks like the Commonwealth Bank, which together with the support of the federal and state governments, regulators and the broader industry, have helped the country through the worst pandemic in living memory.

We are prepared for a range of different economic scenarios and are well placed to support our customers. We're committed to new and ongoing support measures for those most impacted by COVID-19 and other events. We will continue to work closely with our retail and business customers to understand their needs.

Looking ahead, we anticipate ongoing economic impacts and earnings pressure from lower interest rates. We will continue to invest in the business to reinforce our product offering to our retail and business customers and extend our digital leadership. Through disciplined execution and our people's care and commitment, we will continue to deliver for our customers, community and our shareholders as we build tomorrow's bank today.

Operating performance

Our banking businesses continued to perform well, with a disciplined focus on operational excellence delivering above market growth in home lending, business lending and deposits. Strong volume growth supported operating income and helped to offset the impact of historically low interest rates on our net interest margin.

Operating income

Operating income
Cash basis

$24,156m

FY20 $23,761m ▲ 1.7%

Net interest margin

2.03% FY21

FY20 2.07% ▼ 4bpts

2.04% 2H21

1H21 2.01% ▲ 3bpts

Net interest income increased 1%. This was driven by above market volume growth in home and business lending, and household deposits, partly offset by a decrease in net interest margin.

Net interest margin (NIM) was down 4 basis points due to higher liquid assets, with the impact of the low-rate environment largely offset by management actions, lower wholesale funding costs and favourable funding mix.

Looking ahead, we expect a number of headwinds to impact Group NIM in the next financial year. These headwinds include: the continuing low-rate environment, price competition across both lending and deposit products, unfavourable mix impacts of customers switching to fixed rate home loans and higher rate deposits, and higher liquids. These headwinds will be partly offset by the benefit of lower funding costs from the RBA's Term Funding Facility.

Other operating income increased 3%. The key drivers were:

- Higher volume-driven retail, business and institutional lending fees.
- Higher CommSec equities income from increased trading volumes.
- Higher one-off net profits from minority investments.

These increases were partly offset by:

- Continuing lower credit card, retail foreign exchange and deposit income from a decline in spend and transaction volumes mainly as a result of COVID-19.

Operating expenses

Operating expenses
Cash basis

$11,359m

FY20 $10,996m ▲ 3.3%

Investment spend

$1,809m **(total spend)**

FY20 $1,437m ▲ 25.9%

Cost-to-income ratio
Cash basis

47.0% **(headline)**

FY20 46.3%

Operating expenses excluding remediation costs were 2% higher.

Staff expenses increased 4% as a result of wage inflation and an increase in full-time equivalent staff to deliver our strategic priorities, partly offset by ongoing business simplification initiatives.

The staff increases were due to:

- Continued investment in digital capabilities, innovation and risk and compliance initiatives.
- Additional resources within our operations functions to support higher lending volumes and financial crime assessment.
- Increased resourcing in financial assistance in response to COVID-19, as well as additional frontline retail lenders and business bankers.

Occupancy and equipment expenses increased 6% due to concurrent rent expenses from vacating commercial office space and consolidating our property footprint, and inflation linked to annual rental reviews.

Information technology expenses increased 1% due to higher IT infrastructure costs and cloud computing, as well as higher investment spend, partly offset by lower amortisation and business simplification initiatives.

Remediation costs increased due to additional provisions for payments to customers and associated remediation program costs, primarily in relation to historical Wealth related issues.

The **cost-to-income** ratio (cash basis) was 47.0%.

Provisions and credit quality

Loan impairment expense

Loan impairment expense

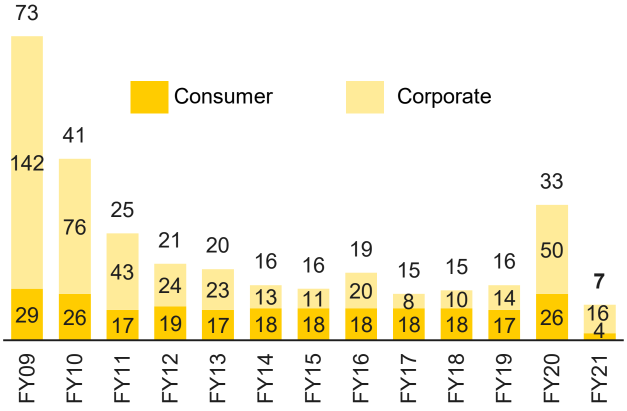
$554m

FY20 $2,518m

Loan impairment expense decreased as a result of an improvement in economic conditions and outlook.

The loan loss rate reduced to 7 basis points, down from 33 basis points in FY20.

Loan Loss Rate[1,2,3] (bpts)

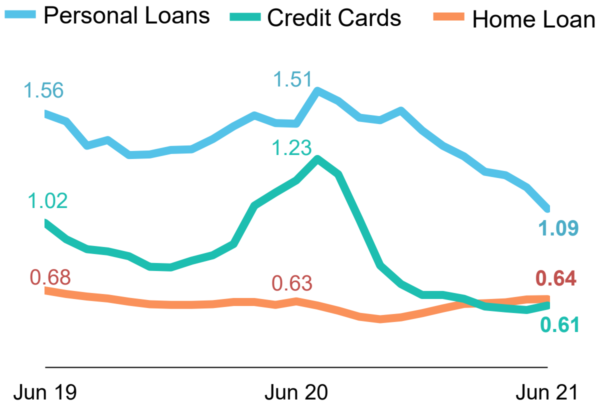


Portfolio credit quality

Arrears on home loans and consumer finance remain low. The small increase in home loan arrears was primarily due to the completion of the original COVID-19 loan deferral program in March 2021 and further modest increases are expected in coming months.

Credit card and personal loan arrears reduced due to improved economic conditions and benefited from customers reducing balances during the year.

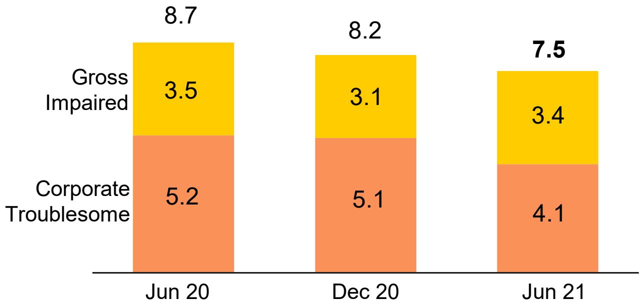
Consumer arrears[4] > 90 days (%)



Troublesome and impaired assets decreased to $7,523m from $8,710m in FY20. Corporate troublesome assets decreased by $1.1bn over the year, due to a range of refinancing, exposure reduction and rehabilitation activities that have been completed in the second half of the financial year.

Gross impaired assets increased by $309m from December 2020 due to the conservative treatment of home loan restructures in New Zealand as we supported customers impacted by COVID-19.

Troublesome and impaired assets ($bn)



Loan impairment provisions

Our total impairment provisions decreased to $6,211m from $6,363m in FY20 reflecting the improved economic conditions and outlook, partly offset by additional overlays which reflect the ongoing economic uncertainty due to the continuing impact of COVID-19.

Provisioning coverage remains strong with the provision coverage ratio at 1.63%.

Total impairment provisions ($m)

Balance sheet strength

Our capital, liquidity and funding metrics remained strong during FY21. The strength of our balance sheet means the Bank is well positioned to continue supporting our customers and helping the broader community and the Australian economy recover.

Capital

Common Equity Tier 1 capital ratio

13.1%

APRA (Level 2)

FY20 11.6%

The Group has a strong capital position with a CET1 capital ratio as at 30 June 2021 of 13.1%, well above APRA's 'unquestionably strong' benchmark of 10.5%.

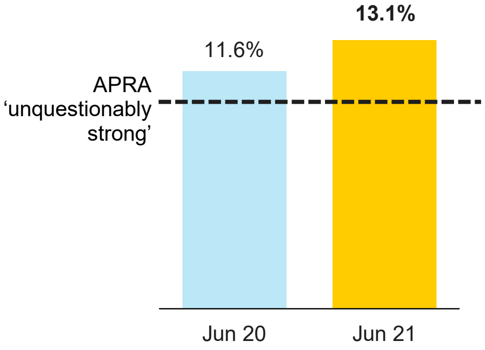
During the year, the Group's CET1 capital was supported by:

- Profits generated in the ordinary course of business (organic capital) as business fundamentals remained strong.
- The benefits of proceeds received from the sales of BoCommLife, CommInsure Life, and other previously announced divestments.

The strong capital position and our progress on executing our strategy mean that we are well placed to continue to support our customers, manage ongoing uncertainties and commence returning a portion of surplus capital to shareholders.

Additional proceeds from the majority sale of Colonial First State and divestment of CommInsure General Insurance are expected to provide further capital uplifts in the year ahead.

CET1 (APRA, Level 2)



Funding and liquidity

Deposit funding ratio

73%

FY20 74%

Liquidity coverage ratio

129%

FY20 155%

Net stable funding ratio

129%

FY20 120%

Customer deposits increased by $59.8 billion during the year. The Group continued to satisfy a significant portion of its funding requirements from customer deposits with the deposit funding ratio being 73%.

As at 30 June 2021, the Group had accessed $51.1bn of funding provided through the RBA's three-year Term Funding Facility (TFF).

The average tenor of the long term wholesale funding portfolio was 5.1 years (6.4 years excluding the TFF). Long term wholesale funding accounted for 74% of total wholesale funding.

The **liquidity coverage ratio (LCR)** for the quarter ended 30 June 2021 was 129% which was significantly above the minimum regulatory requirement of 100%.

The **net stable funding ratio (NSFR)** as at 30 June 2021 was 129%, well above the regulatory minimum of 100%. The increase in the ratio was due to the growth in customer deposits, the benefit of the TFF and our strong capital position.

Delivering for shareholders

Dividend

The Bank's strong capital position and disciplined execution continues to support strong and sustainable returns to shareholders.

A final dividend of $2.00 per share, fully franked, was determined, taking the full year dividend to $3.50. The final dividend payout ratio was 71% of the Bank's cash earnings, or ~75% after normalising for long run loan loss rates.

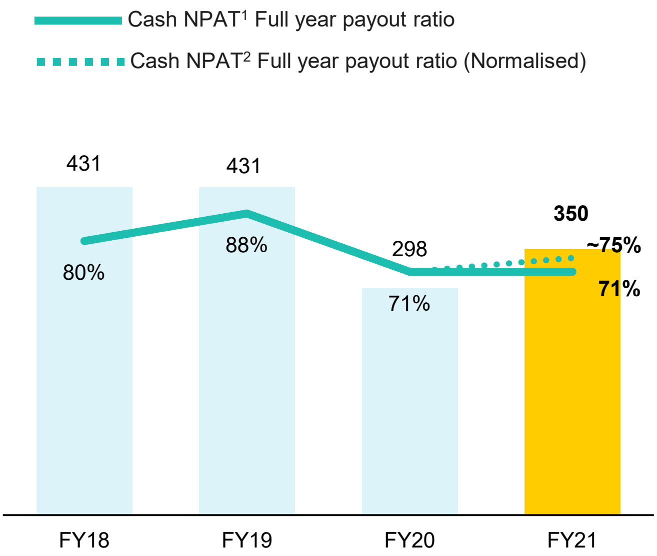
The Bank will continue to target a full year payout ratio of 70-80% of cash NPAT and an interim payout ratio of ~70% of cash NPAT. In considering the sustainability of dividends, the Board will continue to take into account a number of factors, including long term average loss rates.

The Dividend Reinvestment Plan (DRP) continues to be offered to shareholders. No discount will be applied to shares allocated under the plan for the final dividend. The DRP is anticipated to be satisfied in full by an on-market purchase of shares.

The ex-dividend date is 17 August 2021, the record date is 18 August 2021, the final DRP participation date is 19 August 2021 and the final dividend will be paid on 29 September 2021.

Sustainable returns

Dividend per share (cents)



Off-market share buy-back

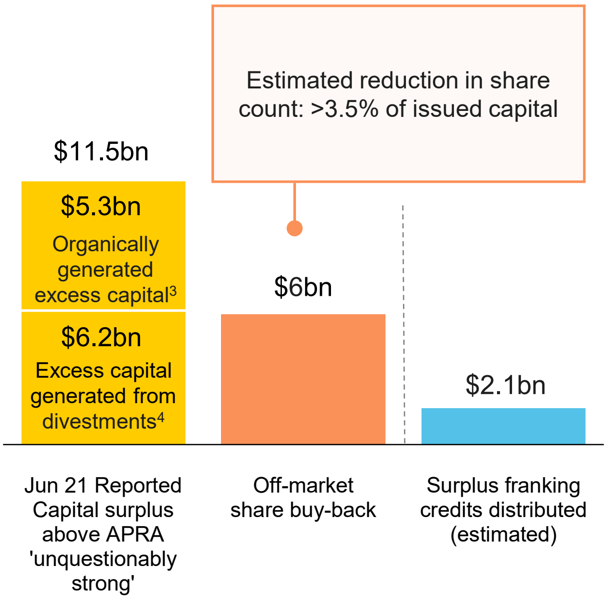
In deciding to commence capital management, the Board considered:

- The resilience of the domestic economy, notwithstanding recent public health measures to contain COVID-19.
- The Group's capacity to adequately absorb potential stress events immediately following completion of the buy-back.
- The Group's strong capital and balance sheet position, ensuring we remain well placed to support customers and manage ongoing uncertainties.
- The optimal structure to be an off-market share buy-back, given shareholders will benefit from a lower share count, which supports return on equity, earnings per share and dividend per share.

In calibrating the size of the buy-back, the Board considered:

- The capital generated from strategic divestments.
- The level of future organic capital generation and expected divestment proceeds.
- The size of franking credit surplus and future ability to fully frank dividends and hybrid distributions.

Financial overview



Footnotes

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1. All information in this section is presented on a continuing operations basis, unless stated otherwise. Comparative information has been restated to conform to presentation in the current period.
2. Total loan impairment provisions as a percentage of credit risk weighted assets.
3. As reported in RBA Lending and Credit Aggregates (Home Lending and Business Lending) and APRA Monthly ADI Statistics (Household Deposits). CBA Business Lending multiple estimate is based on Business Banking growth rate (excluding Institutional Banking and Markets) over published APRA Total Business Lending Data (excluding estimated Institutional Lending balances).
4. Includes discontinued operations.
5. Loan repayment deferrals program ended March 2021. Product view.
6. New deferrals from 25 June 2021, as at 31 July 2021.

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1. Excess CET1 capital generated from divestments since 1H19 (total divestment capital uplift of $7.9 billion, of which $6.2 billion was in excess of the unquestionably strong CET1 capital benchmark of 10.5%).
2. For an explanation of and reconciliation between statutory and cash NPAT refer to page 3 of the Profit Announcement for the year ended 30 June 2021.

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1. Loan Impairment Expense as a percentage of average Gross Loans and Acceptances (GLAA) (bpts).
2. Comparative information has been restated to conform to presentation in the current period.
3. FY09 includes Bankwest on a pro-forma basis.
4. Group consumer arrears including New Zealand. APRA's prudential relief for customers on eligible COVID-19 loan repayment deferral arrangements has effectively "stopped the clock" on home loan and personal loan arrears.
5. Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.

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1. Cash NPAT inclusive of discontinued operations.
2. Cash NPAT and dividend payout ratio normalised to reflect a long run loan loss rate.
3. Net of dividends.
4. Excess CET1 capital generated from divestments since 1H19 (total divestment capital uplift of $7.9 billion, of which $6.2 billion was in excess of the unquestionably strong CET1 capital benchmark of 10.5%).

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This announcement has been authorised for release by the Board.

Key financial information

	Full year ended[1] ("cash basis")			Half year ended[1] ("cash basis")		
Group performance summary (continuing operations)	30 Jun 21 $m	30 Jun 20 $m	Jun 21 v Jun 20 %	30 Jun 21 $m	31 Dec 20 $m	Jun 21 v Dec 20 %
Net interest income	**18,839**	18,610	1	**9,468**	9,371	1
Other banking income	**5,007**	4,837	4	**2,588**	2,419	7
Total banking income	**23,846**	23,447	2	**12,056**	11,790	2
Funds management income	**165**	173	(5)	**85**	80	6
Insurance income	**145**	141	3	**54**	91	(41)
Total operating income	**24,156**	23,761	2	**12,195**	11,961	2
Operating expenses	**(11,359)**	(10,996)	3	**(5,768)**	(5,591)	3
Loan impairment expense	**(554)**	(2,518)	(78)	**328**	(882)	large
Net profit before tax	**12,243**	10,247	19	**6,755**	5,488	23
NPAT from continuing operations	**8,653**	7,225	20	**4,785**	3,868	24
NPAT from discont'd operations[2]	**148**	182	(19)	**49**	99	(51)
NPAT from continuing operations ("statutory basis")	**8,843**	7,388	20	**5,084**	3,759	35
Cash net profit after tax, by division (continuing operations)						
Retail Banking Services[3]	**4,806**	4,142	16	**2,610**	2,196	19
Business Banking	**2,758**	2,474	11	**1,423**	1,335	7
Institutional Banking and Markets	**922**	633	46	**499**	423	18
New Zealand	**1,159**	809	43	**624**	535	17
Corporate Centre and Other	**(992)**	(833)	19	**(371)**	(621)	(40)
NPAT from continuing operations	**8,653**	7,225	20	**4,785**	3,868	24
Shareholder ratios & performance indicators (continuing operations unless otherwise stated)						
Earnings per share – "cash basis" – basic (cents)	**488.5**	408.5	20	**270.0**	218.5	24
Return on equity – "cash basis" (%)	**11.5**	10.2	130 bpts	**12.6**	10.5	210 bpts
Dividends per share – fully franked (cents)	**350**	298	17	**200**	150	33
Dividend payout ratio – "cash basis" (%)[4]	**71**	71	-	**73**	67	large
Average interest earning assets ($M)[5]	**929,846**	897,409	4	**936,883**	922,924	2
Net interest margin (%)	**2.03**	2.07	(4)bpts	**2.04**	2.01	3 bpts
Operating expenses to total operating income (%)	**47.0**	46.3	70 bpts	**47.3**	46.7	60 bpts
Funds Under Administration (FUA) – average ($M)[6]	**-**	15,332	large	**-**	-	-
Assets Under Management (AUM) – average ($M)	**18,872**	16,941	11	**19,630**	18,179	8

1. Comparative information has been restated to conform to presentation in the current period.
2. The financial results of discontinued operations are excluded from the individual account lines of the Bank's performance and 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. Includes non-controlling interests related to discontinued operations.
3. Retail Banking Services including Mortgage Broking and General Insurance.
4. Includes discontinued operations.
5. Average interest earning assets are net of average mortgage and other offset balances.
6. FUA average has been calculated using the average for the period the Group owned Aegis up until 2 December 2019.

Highlights

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2. Highlights

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Highlights

Group Performance Summary

	Full Year Ended [1] ("statutory basis")		Full Year Ended [1] ("cash basis")			Half Year Ended [1] ("cash basis")		
	30 Jun 21	Jun 21 vs	30 Jun 21	30 Jun 20	Jun 21 vs	30 Jun 21	31 Dec 20	Jun 21 vs
Group Performance Summary	$M	Jun 20 %	$M	$M	Jun 20 %	$M	$M	Dec 20 %
Net interest income	**18,839**	1	**18,839**	18,610	1	**9,468**	9,371	1
Other banking income	**5,265**	5	**5,007**	4,837	4	**2,588**	2,419	7
Total banking income	**24,104**	2	**23,846**	23,447	2	**12,056**	11,790	2
Funds management income	**165**	(5)	**165**	173	(5)	**85**	80	6
Insurance income	**145**	3	**145**	141	3	**54**	91	(41)
Total operating income	**24,414**	2	**24,156**	23,761	2	**12,195**	11,961	2
Operating expenses	**(11,485)**	4	**(11,359)**	(10,996)	3	**(5,768)**	(5,591)	3
Loan impairment expense	**(554)**	(78)	**(554)**	(2,518)	(78)	**328**	(882)	large
Net profit before tax	**12,375**	19	**12,243**	10,247	19	**6,755**	5,488	23
Corporate tax expense	**(3,532)**	18	**(3,590)**	(3,022)	19	**(1,970)**	(1,620)	22
Net profit after tax from continuing operations	**8,843**	20	**8,653**	7,225	20	**4,785**	3,868	24
Net profit after tax from discontinued operations [2]	**1,338**	(39)	**148**	182	(19)	**49**	99	(51)
Net profit after tax	**10,181**	6	**8,801**	7,407	19	**4,834**	3,967	22
Gain/(loss) on acquisition, disposal, closure and demerger of businesses	**n/a**	n/a	**1,373**	2,092	(34)	**463**	910	(49)
Hedging and IFRS volatility	**n/a**	n/a	**7**	93	(92)	**15**	(8)	large
Net profit after tax ("statutory basis")	**10,181**	6	**10,181**	9,592	6	**5,312**	4,869	9
Cash net profit after tax, by division								
Retail Banking Services (excl. Mortgage Broking and General Insurance)			**4,765**	4,095	16	**2,604**	2,161	20
Mortgage Broking and General Insurance			**41**	47	(13)	**6**	35	(83)
Retail Banking Services			**4,806**	4,142	16	**2,610**	2,196	19
Business Banking			**2,758**	2,474	11	**1,423**	1,335	7
Institutional Banking and Markets			**922**	633	46	**499**	423	18
New Zealand			**1,159**	809	43	**624**	535	17
Corporate Centre and Other			**(992)**	(833)	19	**(371)**	(621)	(40)
Net profit after tax from continuing operations ("cash basis")			**8,653**	7,225	20	**4,785**	3,868	24

[1] Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in Note 1.1 of the 2021 Annual Report.

[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.

Highlights (continued)

Non-Cash Items included in Statutory Profit

The Profit Announcement 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 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 year 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.

	Full Year Ended			Half Year Ended		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
Non-Cash items included in Statutory Profit	**$M**	$M	Jun 20 %	**$M**	$M	Dec 20 %
Gain on acquisition, disposal, closure and demerger of businesses	**1,373**	2,092	(34)	**463**	910	(49)
Hedging and IFRS volatility	**7**	93	(92)	**15**	(8)	large
Total non-cash items (after tax)	**1,380**	2,185	(37)	**478**	902	(47)

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

	Full Year Ended			Half Year Ended		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
Non-Cash items included in Statutory Profit	**$M**	$M	Jun 20 %	**$M**	$M	Dec 20 %
Gain/(loss) on acquisition, disposal, closure and demerger of businesses [1]	**183**	70	large	**284**	(101)	large
Hedging and IFRS volatility	**7**	93	(92)	**15**	(8)	large
Non-cash items (after tax) from continuing operations	**190**	163	17	**299**	(109)	large
Gain on acquisition, disposal, closure and demerger of businesses [2]	**1,190**	2,022	(41)	**179**	1,011	(82)
Non-cash items (after tax) from discontinued operations	**1,190**	2,022	(41)	**179**	1,011	(82)
Total non-cash items (after tax)	**1,380**	2,185	(37)	**478**	902	(47)

[1] Includes gains and losses net of transaction and separation costs associated with disposal of AUSIEX, Aussie Home Loans, CommInsure General Insurance, Count Financial and other businesses, and the dilution of the Group's interest in Bank of Hangzhou.

[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.

Highlights (continued)

Key Performance Indicators

	Full Year Ended [1]			Half Year Ended [1]		
Key Performance Indicators [2]	**30 Jun 21**	30 Jun 20	Jun 21 vs Jun 20 %	**30 Jun 21**	31 Dec 20	Jun 21 vs Dec 20 %
Group Performance from continuing operations						
Statutory net profit after tax ($M)	**8,843**	7,388	20	**5,084**	3,759	35
Cash net profit after tax ($M)	**8,653**	7,225	20	**4,785**	3,868	24
Net interest margin (%)	**2. 03**	2. 07	(4)bpts	**2. 04**	2. 01	3 bpts
Operating expenses to total operating income (%)	**47. 0**	46. 3	70 bpts	**47. 3**	46. 7	60 bpts
Spot number of full-time equivalent staff (FTE)	**44,375**	41,778	6	**44,375**	42,720	4
Average number of FTE	**42,940**	41,051	5	**43,663**	42,185	4
Effective corporate tax rate (%)	**29. 3**	29. 5	(20)bpts	**29. 2**	29. 5	(30)bpts
Profit after capital charge (PACC) ($M) [3]	**3,823**	3,774	1	**2,024**	1,799	13
Average interest earning assets ($M) [4]	**929,846**	897,409	4	**936,883**	922,924	2
Average interest bearing liabilities ($M) [4]	**776,967**	771,982	1	**777,564**	776,381	–
Funds under administration (FUA) - average ($M) [5]	**–**	15,332	large	**–**	–	–
Assets under management (AUM) - average ($M)	**18,872**	16,941	11	**19,630**	18,179	8
Group Performance including discontinued operations						
Statutory net profit after tax ($M)	**10,181**	9,592	6	**5,312**	4,869	9
Cash net profit after tax ($M)	**8,801**	7,407	19	**4,834**	3,967	22
Net interest margin (%)	**2. 03**	2. 08	(5)bpts	**2. 04**	2. 01	3 bpts
Operating expenses to total operating income (%)	**47. 8**	47. 4	40 bpts	**48. 4**	47. 2	120 bpts
Spot number of full-time equivalent staff (FTE)	**46,189**	43,585	6	**46,189**	44,548	4
Average number of FTE	**44,753**	43,550	3	**45,463**	44,007	3
Effective corporate tax rate (%)	**29. 3**	29. 5	(20)bpts	**29. 2**	29. 5	(30)bpts
Profit after capital charge (PACC) ($M) [3]	**3,950**	3,882	2	**2,053**	1,897	8
Average interest earning assets ($M) [4]	**930,133**	897,879	4	**937,170**	923,211	2
Funds under administration (FUA) - average ($M) [6]	**153,995**	180,389	(15)	**158,679**	149,491	6
Assets under management (AUM) - average ($M) [7]	**18,872**	235,743	(92)	**19,630**	18,179	8

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

[2] Presented on a "cash basis" unless stated otherwise.

[3] The Bank uses PACC as a key measure of risk-adjusted profitability. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.

[4] Average interest earning assets are net of average mortgage and other offset balances. Average interest bearing liabilities exclude average mortgage and other offset balances.

[5] Average FUA (continuing operations) has been calculated using the average for the period the Group owned Aegis up until 2 December 2019.

[6] 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.

[7] 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)

	Full Year Ended [1]			Half Year Ended [1]		
Key Performance Indicators	**30 Jun 21**	30 Jun 20	Jun 21 vs Jun 20 %	**30 Jun 21**	31 Dec 20	Jun 21 vs Dec 20 %
Shareholder Returns from continuing operations						
Earnings Per Share (EPS) (cents) [2]						
Statutory basis - basic	**499. 2**	417. 8	19	**286. 8**	212. 3	35
Cash basis - basic	**488. 5**	408. 5	20	**270. 0**	218. 5	24
Return on equity (ROE) (%) [2]						
Statutory basis	**11. 8**	10. 4	140 bpts	**13. 3**	10. 2	310 bpts
Cash basis	**11. 5**	10. 2	130 bpts	**12. 6**	10. 5	210 bpts
Shareholder Returns including discontinued operations						
Earnings per share (EPS) (cents) [2]						
Statutory basis - basic	**574. 8**	542. 4	6	**299. 7**	275. 0	9
Cash basis - basic	**496. 9**	418. 8	19	**272. 7**	224. 1	22
Return on equity (ROE) (%) [2]						
Statutory basis	**13. 5**	13. 5	–	**13. 9**	13. 2	70 bpts
Cash basis	**11. 7**	10. 5	120 bpts	**12. 7**	10. 7	200 bpts
Dividends per share - fully franked (cents)	**350**	298	17	**200**	150	33
Dividend cover - "cash basis" (times)	**1. 4**	1. 4	–	**1. 4**	1. 5	(7)
Dividend payout ratio (%) [2]						
Statutory basis	**61**	55	large	**67**	55	large
Cash basis	**71**	71	–	**73**	67	large
Capital including discontinued operations						
Common Equity Tier 1 (Internationally Comparable) (%) [3]	**19. 4**	17. 4	200 bpts	**19. 4**	18. 7	70 bpts
Common Equity Tier 1 (APRA) (%)	**13. 1**	11. 6	150 bpts	**13. 1**	12. 6	50 bpts
Risk weighted assets (RWA) ($M) - Basel III	**450,680**	454,948	(1)	**450,680**	453,616	(1)
Leverage Ratio including discontinued operations						
Leverage Ratio (Internationally Comparable) (%) [3]	**6. 9**	6. 7	20 bpts	**6. 9**	6. 8	10 bpts
Leverage Ratio (APRA) (%)	**6. 0**	5. 9	10 bpts	**6. 0**	6. 0	–
Funding and Liquidity Metrics including discontinued operations						
Liquidity Coverage Ratio (%) [4]	**129**	155	large	**129**	143	large
Weighted Average Maturity of Long-Term Debt (years) [5]	**5. 1**	5. 3	(0. 2)years	**5. 1**	5. 2	(0. 1)years
Customer Deposit Funding Ratio (%)	**73**	74	(100)bpts	**73**	75	(200)bpts
Net Stable Funding Ratio (%)	**129**	120	large	**129**	123	large
Credit Quality Metrics including discontinued operations						
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**0. 07**	0. 33	(26)bpts	**(0. 08)**	0. 22	(30)bpts
Gross impaired assets as a % of GLAAs	**0. 42**	0. 45	(3)bpts	**0. 42**	0. 39	3 bpts
Credit risk weighted assets (RWA) ($M)	**381,550**	374,194	2	**381,550**	376,900	1

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

[2] For definitions refer to Appendix 6.7.

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

[4] Quarterly average.

[5] 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 30 June 2021 excluding the TFF drawdown is 6.4 years (31 December 2020: 5.7 years; 30 June 2020: 5.3 years).

Highlights (continued)

Key Performance Indicators (continued)

	Full Year Ended[1]			Half Year Ended[1]		
Key Performance Indicators	**30 Jun 21**	30 Jun 20	Jun 21 vs Jun 20 %	**30 Jun 21**	31 Dec 20	Jun 21 vs Dec 20 %
Retail Banking Services[2]						
Cash net profit after tax ($M)	**4,765**	4,095	16	**2,604**	2,161	20
Net interest margin (%)	**2. 60**	2. 63	(3)bpts	**2. 59**	2. 60	(1)bpt
Average interest earning assets ($M)[3]	**381,229**	368,342	3	**386,834**	375,715	3
Operating expenses to total operating income (%)[4]	**38. 4**	38. 7	(30)bpts	**37. 6**	39. 2	(160)bpts
Risk weighted assets ($M)[5]	**169,084**	167,205	1	**169,084**	165,036	2
Business Banking						
Cash net profit after tax ($M)	**2,758**	2,474	11	**1,423**	1,335	7
Net interest margin (%)	**2. 98**	3. 10	(12)bpts	**2. 95**	3. 02	(7)bpts
Average interest earning assets ($M)[3]	**173,986**	170,526	2	**176,897**	171,123	3
Operating expenses to total banking income (%)[4]	**38. 7**	36. 3	240 bpts	**41. 3**	36. 2	large
Risk weighted assets ($M)	**140,023**	136,288	3	**140,023**	137,962	1
Institutional Banking and Markets						
Cash net profit after tax ($M)	**922**	633	46	**499**	423	18
Net interest margin (%)	**1. 00**	0. 98	2 bpts	**1. 06**	0. 95	11 bpts
Average interest earning assets ($M)	**138,018**	140,547	(2)	**131,209**	144,716	(9)
Operating expenses to total banking income (%)[4]	**42. 7**	44. 9	(220)bpts	**46. 7**	39. 2	large
Risk weighted assets ($M)	**84,928**	93,325	(9)	**84,928**	88,253	(4)
New Zealand						
Cash net profit after tax (A$M)	**1,159**	809	43	**624**	535	17
Risk weighted assets - (A$M)[6]	**53,390**	50,812	5	**53,390**	52,020	3
Net interest margin (%)[7]	**2. 18**	2. 12	6 bpts	**2. 27**	2. 09	18 bpts
Average interest earning assets[7]	**107,522**	100,582	7	**110,183**	104,904	5
Operating expenses to total operating income (ASB) (%)[4, 7]	**39. 0**	39. 8	(80)bpts	**40. 2**	37. 7	250 bpts
FUA - average (ASB)[7, 8]	**–**	16,273	large	**–**	–	–
AUM - average (ASB)[7]	**20,227**	17,886	13	**21,040**	19,469	8

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

[2] Excludes Mortgage Broking and General Insurance.

[3] Net of average mortgage offset balances.

[4] Presented on a "cash basis".

[5] Includes Mortgage Broking and General Insurance.

[6] Risk weighted assets (A$M) calculated in accordance with APRA requirements.

[7] Key financial metrics represent ASB only and are calculated in New Zealand dollar terms.

[8] Average FUA has been calculated using the average for the period the Group owned Aegis up until 2 December 2019.

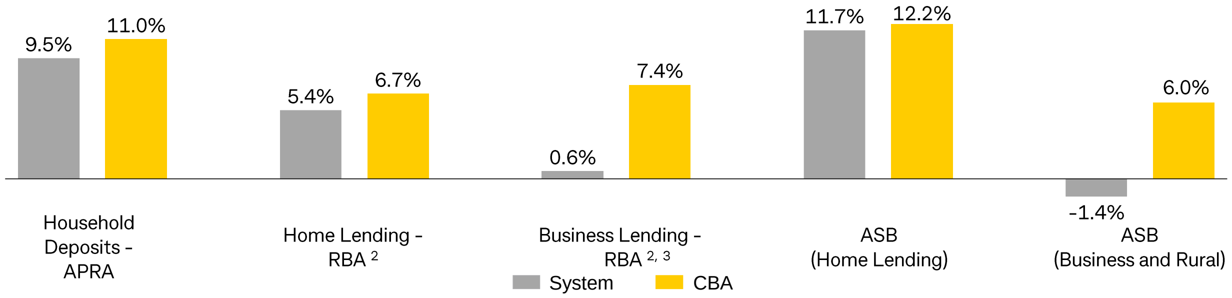
Highlights (continued)

Market Share

	As at [1]				
	30 Jun 21	31 Dec 20	30 Jun 20	Jun 21 vs	Jun 21 vs
Market Share	**%**	%	%	Dec 20	Jun 20
Home loans - RBA [2]	**25. 3**	25. 2	25. 0	10 bpts	30 bpts
Home loans - APRA [3]	**26. 0**	25. 9	25. 7	10 bpts	30 bpts
Credit cards - APRA [3]	**27. 4**	27. 5	26. 5	(10)bpts	90 bpts
Other household lending [3, 4]	**18. 6**	18. 6	19. 1	–	(50)bpts
Household deposits - APRA [3]	**27. 4**	27. 2	27. 1	20 bpts	30 bpts
Business lending - RBA [2]	**15. 6**	15. 0	14. 7	60 bpts	90 bpts
Business lending - APRA [3]	**17. 8**	17. 3	16. 8	50 bpts	100 bpts
Business deposits - APRA [3]	**21. 6**	21. 3	20. 5	30 bpts	110 bpts
Equities trading [5]	**5. 4**	4. 8	3. 7	60 bpts	170 bpts
NZ home loans	**21. 6**	21. 8	21. 5	(20)bpts	10 bpts
NZ customer deposits	**18. 2**	18. 0	18. 2	20 bpts	–
NZ business lending [6]	**17. 3**	16. 6	15. 6	70 bpts	170 bpts
NZ retail AUM [7]	**13. 5**	14. 2	14. 7	(70)bpts	(120)bpts

1 Comparative information has been updated to reflect market restatements.
2 System source: RBA Lending and Credit 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 Comparative information has been normalised to exclude the impact of ANZ's sale of UDC Finance Limited in September 2020.
7 System source: Zenith Investment Partners, normalised to exclude the impact of uncontributed member data.

CBA growth against System [1]
Balance growth – 12 months to June 21



1 System and CBA source: RBA/APRA/RBNZ. CBA includes Bankwest.
2 System and CBA source: RBA Lending and Credit Aggregates.
3 CBA Domestic Business lending growth (including Institutional Lending but excludes Cash Management Pooling Facilities).

Credit Ratings

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

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Group Performance Analysis

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Group Performance Analysis

Financial Performance and Business Review

Performance Overview – comments are versus prior year unless stated otherwise (continuing operations basis[1]).

The Bank's statutory net profit after tax (NPAT) from continuing operations for the full year ended 30 June 2021 increased $1,455 million or 19.7% on the prior year to $8,843 million. The Bank's statutory NPAT (including discontinued operations) for the full year ended 30 June 2021 increased $589 million or 6.1% on the prior year to $10,181 million.

Cash net profit after tax ("cash NPAT" or "cash profit") from continuing operations increased $1,428 million or 19.8% on the prior year to $8,653 million. The result was driven by a 1.7% increase in operating income, a 3.3% increase in operating expenses and a $1,964 million decrease in loan impairment expense.

Operating income increased 1.7% on the prior year. Key movements included:

- Net interest income increased 1.2% primarily driven by a 3.6% or $32 billion increase in average interest earning assets, mainly due to above system growth in home loans and business loans, and higher non-lending interest earning assets, partly offset by a decrease in consumer finance balances, and institutional lending. Net interest margin (NIM) decreased 4 basis points due to higher liquid assets, with the impact of the low-rate environment on deposit margins and earnings on capital largely offset by the benefit from lower wholesale funding costs and favourable funding mix;
- Other banking income increased 3.5%, primarily driven by higher equities income from increased trading volumes and active customer numbers, increased institutional lending commitment and line fees as a function of lower client utilisation levels, higher retail and business lending fees reflecting volume growth, and higher net profits from minority investments, partly offset by lower retail banking fee income from a decline in spend and transaction volumes due to COVID-19, and a decline in Global Markets sales income from reduced demand for hedging activities in a low-rate environment;
- Funds management income decreased 4.6%, primarily driven by the wind-down of the Aligned Advice businesses; and
- Insurance income increased 2.8%, primarily driven by lower claims experience from fewer weather related events.

Operating expenses increased 3.3%. Excluding remediation costs[2], operating expenses increased 2.4%, due to higher investment spend, additional operations and financial assistance staff to support higher loan processing and financial crime assessment volumes, and COVID-19 deferrals, as well as higher occupancy, wage inflation, and volume-driven IT costs, partly offset by lower discretionary spend and business simplification initiatives.

Loan impairment expense (LIE) decreased $1,964 million, primarily driven by lower collective provision charges reflecting an improvement in economic conditions and outlook.

CET1 increased by 50 basis points from 31 December 2020 to 13.1%, well above APRA's 'unquestionably strong' target of 10.5%. The increase was driven by capital generated from earnings (+97bps, excluding net equity accounted profits from associates[3]), lower total RWA (+8bps) and other regulatory adjustments (+4bps), partly offset by the 2021 interim dividend (-59bps) in which the DRP was satisfied in full by the on-market purchase of shares.

Earnings per share ("cash basis") was up 19.6% on the prior year at 488.5 cents per share, primarily due to the increase in cash profit.

Return on equity ("cash basis") increased 130 basis points to 11.5% due to the impact of higher profit (approximately 200 basis points), partly offset by an increase in capital levels (approximately 70 basis points).

The final dividend determined was $2.00 per share, bringing the total for the year to $3.50 which is equivalent to 71% 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 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 73% of total funding at 30 June 2021 (down 1% from 74% at 30 June 2020);
- Issued new long-term wholesale funding of $9.0 billion, and accessed an additional $49.6 billion of the RBA Term Funding Facility (TFF). As at 30 June 2021, $51.1 billion of the TFF has been drawn. Including the TFF, the portfolio WAM[4] was 5.1 years (down from 5.3 years at 30 June 2020);
- Maintained its conservative funding position, with long-term wholesale funding accounting for 74% of total wholesale funding (up from 69% at 30 June 2020); and
- Appropriately managed the level of liquid assets and customer deposit growth to maintain our 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.

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[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] For further details on remediation costs and other refer to page 11.

[3] Equity accounted profits from associates are capital neutral with offsetting increases in regulatory capital deductions.

[4] The portfolio WAM excluding the TFF was 6.4 years (up from 5.3 years as at 30 June 2020).

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.

	Full Year Ended [1] ("cash basis")			Half Year Ended [1] ("cash basis")		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
Group Performance Summary	**$M**	$M	Jun 20 %	**$M**	$M	Dec 20 %
Total operating income	**24,156**	23,761	2	**12,195**	11,961	2
Operating expenses excluding remediation costs and other	**(10,784)**	(10,535)	2	**(5,435)**	(5,349)	2
Remediation costs and other [2]	**(575)**	(461)	25	**(333)**	(242)	38
Total operating expenses	**(11,359)**	(10,996)	3	**(5,768)**	(5,591)	3
Loan impairment expense	**(554)**	(2,518)	(78)	**328**	(882)	large
Net profit before tax	**12,243**	10,247	19	**6,755**	5,488	23
Corporate tax expense	**(3,590)**	(3,022)	19	**(1,970)**	(1,620)	22
Net profit after tax from continuing operations ("cash basis")	**8,653**	7,225	20	**4,785**	3,868	24
Non-cash items - continuing operations [3]	**190**	163	17	**299**	(109)	large
Net profit after tax from continuing operations ("statutory basis")	**8,843**	7,388	20	**5,084**	3,759	35
Net profit after tax from discontinued operations ("cash basis")	**148**	185	(20)	**49**	99	(51)
Non-cash items - discontinued operations [3]	**1,190**	2,022	(41)	**179**	1,011	(82)
Non-controlling interests - discontinued operations [4]	**–**	(3)	large	**–**	–	–
Net profit after tax ("statutory basis")	**10,181**	9,592	6	**5,312**	4,869	9

1 Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in Note 1.1 of the 2021 Annual Report.

2 The full year ended 30 June 2021 includes $326 million of additional costs, including provisions, for historical Aligned Advice remediation issues and associated program costs, and $249 million for Banking, other Wealth and employee related remediation and litigation provisions, including an additional provision to address New Zealand Compliance Audit findings related to holiday pay. The full 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 $67 million increase in provisions for other remediation items. The full year ended 30 June 2020 also 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).

3 Refer to page 3 for further information.

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

Net Interest Income (continuing operations basis)

	Full Year Ended			Half Year Ended		
	30 Jun 21 **$M**	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21** **$M**	31 Dec 20 $M	Jun 21 vs Dec 20 %
Net interest income - "cash basis"	**18,839**	18,610	1	**9,468**	9,371	1
Average interest earning assets						
Home loans	**501,825**	484,553	4	**509,032**	494,736	3
Consumer finance	**17,156**	20,497	(16)	**17,054**	17,257	(1)
Business and corporate loans	**216,347**	217,961	(1)	**216,219**	216,472	-
Total average lending interest earning assets [1]	**735,328**	723,011	2	**742,305**	728,465	2
Non-lending interest earning assets [2]	**194,518**	174,398	12	**194,578**	194,459	-
Total average interest earning assets	**929,846**	897,409	4	**936,883**	922,924	2
Net interest margin (%)	**2. 03**	2. 07	(4)bpts	**2. 04**	2. 01	3 bpts

[1] Net of average mortgage and other offset balances. Gross average home loans balance, excluding mortgage offset accounts was $558,500 million for the full year ended 30 June 2021 ($533,360 million for the full year ended 30 June 2020), and $567,368 million for the half year ended 30 June 2021 ($549,776 million for the half year ended 31 December 2020). 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 Bank's net interest margin.

[2] Average interest earning assets is presented on a continuing operations basis (excluding assets held for sale). For the year ended 30 June 2021, $287 million of non-lending interest earning assets have been reclassified to assets held for sale ($470 million for the year ended 30 June 2020, $286 million for the half year ended 30 June 2021 and $287 million for the half year ended 31 December 2020).

Year Ended June 2021 versus June 2020

Net interest income was $18,839 million, an increase of $229 million or 1% on the prior year. The result was driven by a $32 billion or 4% increase in average interest earning assets to $930 billion, partly offset by a 4 basis point decrease in net interest margin to 2.03%.

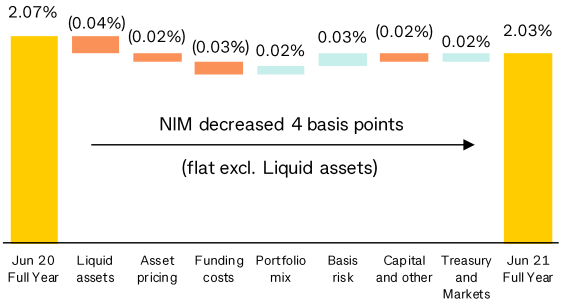
Average Interest Earning Assets

Average interest earning assets increased $32 billion or 4% on the prior year to $930 billion.

- Home loan average balances increased $17 billion or 4% on the prior year to $502 billion. Proprietary mix for CBA branded home loans increased from 58% to 59% of new business flow, with higher new business application volumes and continued focus on credit decisioning turnaround times;
- Consumer finance average balances decreased $3 billion or 16% on the prior year to $17 billion, 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 loan average balances decreased $2 billion or 1% on the prior year to $216 billion, driven by an $8 billion decline in institutional lending balances mainly due to a continued focus on risk-adjusted returns in a highly liquid capital market, partly offset by a $6 billion increase in Business Banking business lending across a number of industries; and
- Non-lending interest earning asset average balances increased $20 billion or 12% on the prior year to $195 billion, driven by a $17 billion increase in average liquid asset balances mainly due to strong customer deposit growth, and a $3 billion increase in average trading asset balances mainly in Global Markets due to higher commodities financing balances and increased government bond holdings.

For further details on the balance sheet movements refer to the 'Group Assets and Liabilities' on page 21.

NIM movement since June 2020



Net Interest Margin

The Bank's net interest margin decreased 4 basis points on the prior year to 2.03%. The key drivers of the movement were:

Liquid assets: Decreased margin by 4 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 lower business lending margins (down 1 basis point) from repricing actions to support businesses during COVID-19, and lower consumer finance margins (down 1 basis point) from a reduction in the proportion of interest earning credit card balances. Home lending margins were flat, reflecting repricing (up 9 basis points), offset by the impact of customers switching from higher margin loans to lower margin loans, particularly from variable rate to fixed rate loans (down 5 basis points) and increased competition (down 4 basis points).

Funding costs: Decreased margin by 3 basis points, reflecting lower earnings on transaction and savings deposits mainly due to decreases in the cash rate (down 7 basis points), partly offset by higher benefits from the replicating portfolio (up 2 basis points) and lower wholesale funding costs (up 2 basis points).

Group Performance Analysis (continued)

Net Interest Income (continued)

Portfolio mix: Increased margin by 2 basis points driven by a higher average deposit funding ratio (30 June 2021: 77%; 30 June 2020: 71%) due to strong growth in transaction and savings deposits, customers switching to at-call deposits, and the drawdown of the TFF (up 4 basis points), partly offset by an unfavourable impact from asset mix (down 2 basis points), mainly due to a decline in higher margin consumer finance balances.

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 due to strong growth in cash rate linked deposits and a mix shift towards fixed rate home loans.

Capital and other: Decreased margin by 2 basis points driven by lower earnings on Group capital due to the falling interest rate environment (down 3 basis points), partly offset by increased contribution from New Zealand (up 1 basis point), reflecting lower wholesale funding costs and favourable portfolio mix, partly offset by the impact from RBNZ cash rate cuts.

Treasury and Markets: Increased margin by 2 basis points driven by higher bonds and commodities financing income in Global Markets.

Half Year Ended June 2021 versus December 2020

Net interest income was $9,468 million, an increase of $97 million or 1% on the prior half, driven by a $14 billion or 2% increase in average interest earning assets to $937 billion and a 3 basis point increase in net interest margin to 2.04%, partly offset by the impact of three fewer calendar days in the current half.

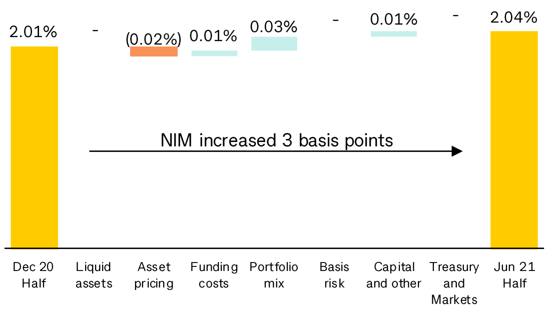
Average Interest Earning Assets

Average interest earning assets increased $14 billion or 2% on the prior half to $937 billion.

- Home loan average balances increased $14 billion or 3% to $509 billion. Proprietary mix for CBA branded home loans increased from 56% to 61% of new business flow, with higher new business application volumes and continued focus on credit decisioning turnaround times;
- Consumer finance average balances decreased 1% on the prior half to $17 billion, driven by lower consumer demand for unsecured lending;
- Business and corporate loan average balances were flat on the prior half at $216 billion, driven by a $7 billion decrease in institutional lending balances due to a continued focus on risk-adjusted returns and a highly liquid capital market, offset by a $6 billion increase in Business Banking business lending across a number of industries, and a $1 billion increase in New Zealand;
- Non-lending interest earning asset average balances were flat on the prior half at $195 billion.

For further details on the balance sheet movements refer to the 'Group Assets and Liabilities' on page 21.

NIM movement since December 2020



Net Interest Margin

The Bank's net interest margin increased 3 basis points on the prior half to 2.04%. The key drivers of the movement were:

Liquid assets: Flat, reflecting stable non-lending interest earning asset balances during the period.

Asset pricing: Decreased margin by 2 basis points driven by home lending, reflecting the impact of customers switching to lower margin loans, particularly from variable rate to fixed rate loans (down 3 basis points) and increased competition (down 2 basis points), partly offset by repricing (up 3 basis points).

Funding costs: Increased margin by 1 basis point driven by the benefit of savings and investment deposit repricing (up 3 basis points), partly offset by lower earnings on deposits due to the decrease in the cash rate (down 1 basis point), and lower earnings from the replicating portfolio due to the falling interest rate environment (down 1 basis point).

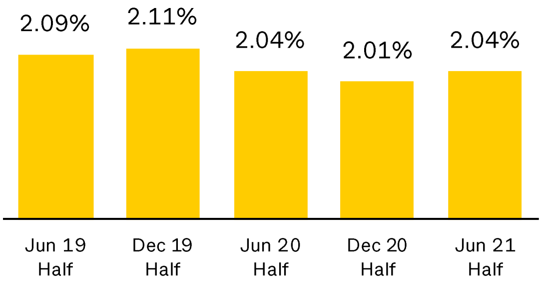
Portfolio mix: Increased margin by 3 basis points driven by favourable funding mix from the drawdown of the TFF and customers switching to at-call deposits (up 2 basis points), and favourable lending mix from the decline of lower margin institutional lending balances (up 1 basis point).

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 average spread and exposure remained broadly flat during the half.

Capital and other: Increased margin by 1 basis points due to increased contribution from New Zealand (up 2 basis points), reflecting lower wholesale funding costs, and favourable portfolio mix and lending margins, partly offset by lower earnings on Group capital due to the falling interest rate environment (down 1 basis point).

Treasury and Markets: Flat.

NIM (Half Year Ended)



Other Banking Income (continuing operations basis)

	Full Year Ended			Half Year Ended		
	30 Jun 21 $M	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Dec 20 %
Commissions	**2,564**	2,557	-	**1,265**	1,299	(3)
Lending fees	**1,128**	986	14	**603**	525	15
Trading income	**852**	940	(9)	**317**	535	(41)
Other income	**463**	354	31	**403**	60	large
Other banking income - "cash basis"	**5,007**	4,837	4	**2,588**	2,419	7

Year Ended June 2021 versus June 2020

Other banking income was $5,007 million, an increase of $170 million or 4% on the prior year.

Commissions increased by $7 million to $2,564 million, mainly driven by higher equities income from increased trading volumes and an increase in active customer numbers. This was partly offset by lower retail foreign exchange, deposit and credit card income due to a decline in spend and transaction volumes mainly as a result of the restrictions due to COVID-19.

Lending fees increased by $142 million or 14% to $1,128 million, mainly driven by higher institutional lending commitment and line fees reflecting lower client utilisation levels, and higher retail and business lending fee income reflecting volume growth.

Trading income decreased by $88 million or 9% to $852 million, mainly driven by lower Global Markets sales income from reduced client demand for hedging activities in the low-rate environment (offset by higher sales income recognised in net interest income), partly offset by favourable derivative valuation adjustments.

Other income increased by $109 million or 31% to $463 million, mainly driven by higher net profits from minority investments including a reversal of historical impairment, partly offset by upfront break costs on the buyback of term debt.

Half Year Ended June 2021 versus December 2020

Other banking income was $2,588 million, an increase of $169 million or 7% on the prior half.

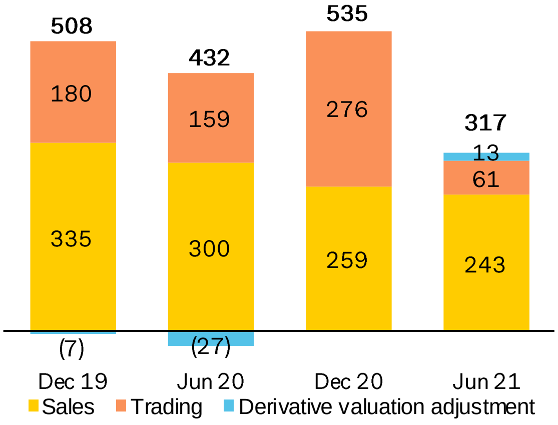
Commissions decreased by $34 million or 3% to $1,265 million, mainly due to lower equities income driven by reduced trading volumes including the impact of six fewer trading days in the current half and lower New Zealand insurance commission income.

Lending fees increased by $78 million or 15% to $603 million, mainly driven by higher retail and business lending fee income reflecting volume growth.

Trading income decreased by $218 million or 41% to $317 million, driven by lower Global Markets trading income from commodities financing and Fixed Income and Rates portfolios, and lower Global Markets sales income driven by reduced client demand for hedging activities in the low-rate environment (offset by higher sales income recognised in net interest income).

Other income increased by $343 million to $403 million, mainly driven by higher net profits from minority investments including a reversal of historical impairment, and lower impairment of aircraft owned by the Group and leased to various airlines. This was partly offset by higher upfront break costs on the buyback of term debt.

Trading Income ($M)



Group Performance Analysis (continued)

Funds Management Income (continuing operations basis)

	Full Year Ended [1]			Half Year Ended		
	30 Jun 21 $M	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Dec 20 %
Retail Banking Services [2]	**31**	67	(54)	**16**	15	7
New Zealand	**140**	136	3	**72**	68	6
Other	**(6)**	(30)	(80)	**(3)**	(3)	–
Funds management income - "cash basis"	**165**	173	(5)	**85**	80	6
Funds under administration (FUA) - average ($M) [3]	**–**	15,332	large	**–**	–	–
Assets under management (AUM) - average ($M) [4]	**18,872**	16,941	11	**19,630**	18,179	8

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

2 Retail Banking Services incorporates the results of Commonwealth Financial Planning and the Aligned Advice businesses.

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.

Year Ended June 2021 versus June 2020

Funds management income was $165 million, a decrease of $8 million or 5% on the prior year. The key drivers were:

- A decrease in Retail Banking Services of $36 million or 54% to $31 million, mainly due to the wind-down of the Aligned Advice businesses; partly offset by
- An increase in New Zealand of $4 million or 3% to $140 million, driven by higher average AUM (up 11%) reflecting favourable investment markets and net inflows, partly offset by lower income due to the sale of the Aegis business on 2 December 2019.

Half Year Ended June 2021 versus December 2020

Funds management income was $85 million, an increase of $5 million or 6% on the prior half. This is mainly due to an increase in New Zealand of $4 million or 6%, driven by higher average AUM (up 8%) due to favourable investment markets and net inflows.

Insurance Income (continuing operations basis)

	Full Year Ended [1]			Half Year Ended		
	30 Jun 21 $M	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Dec 20 %
Insurance income - "cash basis"	**145**	141	3	**54**	91	(41)

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

Year Ended June 2021 versus June 2020

Insurance income was $145 million, an increase of $4 million or 3% on the prior year. This result was driven by lower claims experience net of reinsurance recoveries, mainly due to fewer weather related events.

Half Year Ended June 2021 versus December 2020

Insurance income was $54 million, a decrease of $37 million or 41% on the prior half. This result was due to higher home and motor claims experience from increased activities following the easing of COVID-19 restrictions.

Group Performance Analysis (continued)

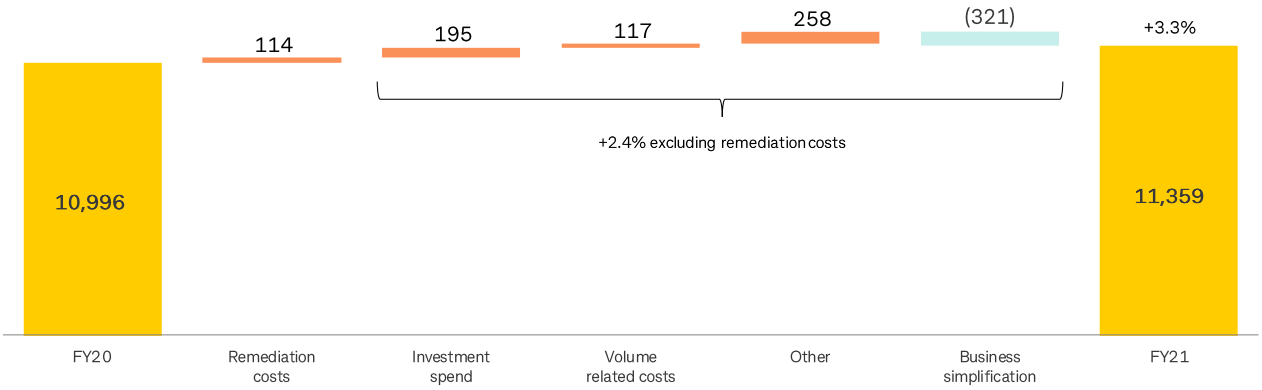
Operating Expenses (continuing operations basis)

	Full Year Ended [1]			**Half Year Ended** [1]		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
	$M	$M	Jun 20 %	**$M**	$M	Dec 20 %
Staff expenses	**5,985**	5,731	4	**3,022**	2,963	2
Occupancy and equipment expenses	**1,154**	1,087	6	**578**	576	–
Information technology services expenses	**2,046**	2,020	1	**1,037**	1,009	3
Other expenses	**1,599**	1,697	(6)	**798**	801	–
Operating expenses excluding remediation costs and other - "cash basis"	**10,784**	10,535	2	**5,435**	5,349	2
Remediation costs and other [2]	**575**	461	25	**333**	242	38
Operating expenses including remediation costs and other - "cash basis"	**11,359**	10,996	3	**5,768**	5,591	3
Operating expenses to total operating income excluding remediation costs and other (%)	**44. 6**	44. 3	30 bpts	**44. 6**	44. 7	(10)bpts
Operating expenses to total operating income (%)	**47. 0**	46. 3	70 bpts	**47. 3**	46. 7	60 bpts
Average number of full-time equivalent staff (FTE)	**42,940**	41,051	5	**43,663**	42,185	4
Spot number of full-time equivalent staff (FTE)	**44,375**	41,778	6	**44,375**	42,720	4

[1] Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in Note 1.1 of the 2021 Annual Report.

[2] For further details on remediation costs and other refer to page 11.

Operating Expenses



Year Ended June 2021 versus June 2020

Operating expenses excluding remediation costs were $10,784 million, an increase of $249 million or 2% on the prior year.

Staff expenses increased by $254 million or 4% to $5,985 million, mainly driven by increased full-time equivalent staff (FTE) and wage inflation. The average number of FTE increased by 1,889 or 5% from 41,051 to 42,940. The increase is primarily due to additional resources to deliver on our strategic investment priorities, and to support increased loan application processing and financial crime assessment volumes within our critical service areas. In addition, the bank has also increased its financial assistance staff, frontline retail lenders and business bankers to help our customers, partly offset by business simplification initiatives.

Occupancy and equipment expenses increased by $67 million or 6% to $1,154 million, primarily driven by concurrent rent expenses in the current year as we vacate commercial office space and consolidate our property footprint, as well as inflation linked to annual rental reviews.

Information technology services expenses increased by $26 million or 1% to $2,046 million. This was primarily due to higher IT infrastructure costs including higher cloud computing volumes, and increased investment spend, partly offset by lower amortisation and business simplification initiatives.

Other expenses decreased by $98 million or 6% to $1,599 million, primarily driven by business simplification initiatives and lower credit card loyalty redemptions.

Operating expenses to total operating income ratio excluding remediation costs and other increased 30 basis points from 44.3% to 44.6%.

Group Performance Analysis (continued)

Operating Expenses (continued)

Half Year Ended June 2021 versus December 2020

Operating expenses excluding remediation costs increased $86 million or 2% on the prior half to $5,435 million.

Staff expenses increased by $59 million or 2% to $3,022 million, mainly driven by increased FTE, partly offset by a reduction in long service leave provisions reflecting a higher discount rate. The average number of FTE increased by 1,478 or 4% from 42,185 to 43,663, primarily due to additional project, lending and financial crime operations staff and frontline business bankers, partly offset by business simplification initiatives.

Occupancy and equipment expenses increased by $2 million to $578 million.

Information technology services expenses increased by $28 million or 3% to $1,037 million, primarily due to higher application and software license costs, partly offset by lower amortisation.

Other expenses decreased by $3 million to $798 million.

Operating expenses to total operating income ratio excluding remediation costs and other decreased 10 basis points from 44.7% to 44.6%.

Investment Spend (continuing operations basis)

	Full Year Ended [1]			Half Year Ended [1]		
	30 Jun 21 $M	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Dec 20 %
Expensed investment spend [2]	**1,026**	831	23	**537**	489	10
Capitalised investment spend [3]	**783**	606	29	**416**	367	13
Investment spend	**1,809**	1,437	26	**953**	856	11
Comprising:						
Risk and compliance	**838**	746	12	**423**	415	2
Productivity and growth	**568**	301	89	**334**	234	43
Infrastructure and branch refurbishment	**403**	390	3	**196**	207	(5)
Investment spend	**1,809**	1,437	26	**953**	856	11

[1] Comparative information has been restated to conform to presentation in the current period.
[2] Included within the operating expenses disclosure on page 16.
[3] 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.

Year Ended June 2021 versus June 2020

The Bank has continued to invest in our strategy of building tomorrow's bank today for our customers with $1,809 million of investment spend incurred in the full year ended 30 June 2021, an increase of $372 million or 26% on the prior year. This is mainly driven by an increase of $267 million in productivity and growth initiatives.

In the current year, productivity and growth initiatives accounted for 32% of investment spend, an increase of 11%, from 21% in the prior year. The Bank has increased focus on strengthening its capabilities and extending its leadership in digital, technology and customer centric product offerings through the ongoing modernisation of our platforms to provide integrated and personalised experiences for our customers. The Bank is also innovating for future growth through initiatives such as x15ventures, the New Payments Platform, and ongoing advancement of the digital interface for our home loan and everyday banking customers.

Risk and compliance projects accounted for 46% of investment spend, a decrease of 6%, from 52% in the prior year. Risk and compliance initiatives remain a priority for the Bank, with total spend increasing 12% on the prior year, as we continue to build simpler and better foundations.

Infrastructure and branch refurbishment initiatives accounted for 22% of investment spend, with the Bank continuing to uplift cyber security and enhance IT infrastructure.

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

Risk and Compliance

The Bank has continued to increase Group wide capability in the management of financial and non-financial risks as part of a comprehensive program of investment, including:

- Anti-money laundering and counter-terrorism financing (AML/CTF) compliance, including upgrading AML/CTF technology, updating policies and procedures, investing in further capability and improving training of our personnel;
- Strengthening the Bank's operating model and processes for monitoring, managing, reporting and controlling financial crime across all of its operations, including how the Bank engages with and informs AUSTRAC and other regulators;
- Enhancing Customer Risk Assessment capability, and strengthening data controls and processes; and
- Improving processes and systems for additional functionality, improved operational excellence, protection against privacy breaches, and compliance with new regulations including the Comprehensive Credit Reporting Regime, Banking Code of Practice and Open Banking.

Group Performance Analysis (continued)

Investment Spend (continued)

Productivity and Growth

The Bank has invested in the following:

- Ongoing development of CommBank applications and digital channels to improve the customer service experience and maintain leadership in digital banking;
- Commercial lending systems to upgrade and simplify the end-to-end process for loan origination and maintenance, to improve business customer experiences and build Australia's leading business bank;
- Enhancing technology and customer insights to assist merchant customers, including developing a self-service merchant portal and deploying the next generation smart payment device offering;
- Ongoing modernisation of the technology stack to accelerate migration to cloud, in order to reduce the cost of IT ownership, reduce risk and improve delivery agility for faster response to customers;
- Simplifying and automating manual back-end processes and systems to improve customer experience, reduce operating costs and digitise end-to-end processes;
- Differentiating our customer proposition through collaboration with our partners in initiatives that create additional features for our core products and our customer experience; and
- Reducing reliance on external vendors and providers by bringing more functions in-house, delivering cost savings while enhancing quality and capabilities.

Infrastructure and Branch Refurbishment

The Bank has invested in the following:

- Protecting customers and the Bank against cyber security risks and data breaches;
- Improving the resilience and simplicity of the Bank's IT infrastructure and data centres;
- Retail branch refurbishment as our branch design is constantly evolving to reflect changes in customer preferences; and
- Consolidation into two sustainably designed, 6 Stars "Green-Star" corporate office buildings, as existing leases expire.

Capitalised Software

	Full Year Ended [1]			Half Year Ended [1]		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
	$M	$M	Jun 20 %	**$M**	$M	Dec 20 %
Opening Balance	**1,296**	1,712	(24)	**1,334**	1,296	3
Additions	**553**	347	59	**277**	276	–
Amortisation and write-offs	**(422)**	(762)	(45)	**(184)**	(238)	(23)
Reclassification to assets held for sale	**–**	(1)	large	**–**	–	–
Closing balance	**1,427**	1,296	10	**1,427**	1,334	7

1 Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in Note 1.1 of the 2021 Annual Report.

Year Ended June 2021 versus June 2020

Capitalised software balance increased $131 million or 10% to $1,427 million.

Additions increased by $206 million or 59% to $553 million, due to higher capitalised investment spend, particularly in relation to productivity and growth initiatives as the Bank continues to enhance its product offering and customer experiences, strengthen its digital capabilities, modernise technology platforms and innovate for future growth.

Amortisation and write-offs decreased by $340 million or 45% to $422 million, driven by the non-recurrence of the accelerated amortisation of certain capitalised software balances in the prior year, and lower average capitalised software balances in the current year.

Half Year Ended June 2021 versus December 2020

Capitalised software balance increased $93 million or 7% on the prior half.

Additions increased by $1 million to $277 million, as the Bank continues to invest in productivity and growth initiatives.

Amortisation and write-offs decreased by $54 million or 23% to $184 million, mainly driven by a higher work in progress balance and investment in productivity and growth initiatives with longer amortisation periods.

Group Performance Analysis (continued)

Loan Impairment Expense (continuing operations basis)

	Full Year Ended [1]			Half Year Ended		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
	$M	$M	Jun 20 %	**$M**	$M	Dec 20 %
Retail Banking Services	**134**	1,034	(87)	**(174)**	308	large
Business Banking	**233**	784	(70)	**(53)**	286	large
Institutional Banking and Markets	**96**	353	(73)	**(81)**	177	large
New Zealand	**(5)**	292	large	**(32)**	27	large
Corporate Centre and Other	**96**	55	75	**12**	84	(86)
Loan impairment expense - "cash basis"	**554**	2,518	(78)	**(328)**	882	large

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

Year Ended June 2021 versus June 2020

Loan impairment expense was $554 million, a decrease of $1,964 million or 78% on the prior year. This was driven by:

- A decrease in Retail Banking Services of $900 million or 87% to $134 million, driven by lower collective provision charges reflecting an improvement in economic conditions and outlook, and reduced consumer finance balances in the current year;
- A decrease in Business Banking of $551 million or 70% to $233 million, driven by lower collective provision charges reflecting an improvement in economic conditions and outlook;
- A decrease in New Zealand of $297 million to a benefit of $5 million, driven by lower collective provision charges reflecting an improvement in economic conditions and outlook, and lower individual provisions in the current year; and
- A decrease in Institutional Banking and Markets of $257 million or 73% to $96 million, driven by lower collective provision charges reflecting an improvement in economic conditions and outlook, and lower individual provisions in the current year; partly offset by
- An increase in Corporate Centre and Other of $41 million or 75% to $96 million, driven by higher collective provision charges in PTBC, mainly reflecting a deterioration in credit quality and the economic outlook in Indonesia due to COVID-19.

Loan impairment expense as a percentage of average gross loans and acceptances (GLAAs) decreased 26 basis points to 7 basis points.

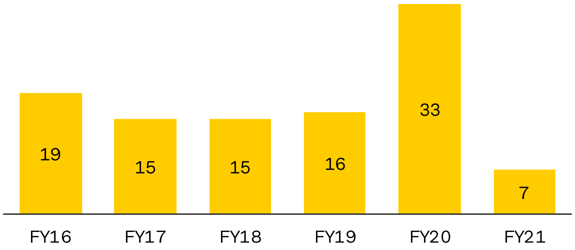
Half Year Ended June 2021 versus December 2020

Loan impairment expense was a benefit of $328 million, a decrease of $1,210 million on the prior half. This was driven by:

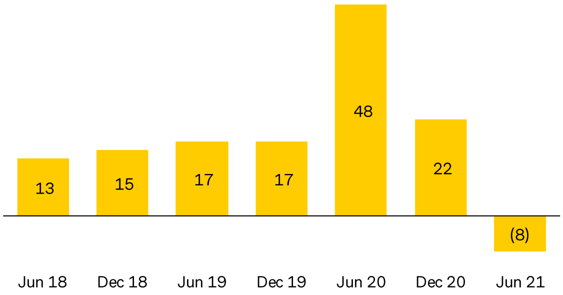
- A decrease in Retail Banking Services of $482 million to a benefit of $174 million, driven by lower collective provisions reflecting an improvement in the economic outlook;
- A decrease in Business Banking of $339 million to a benefit of $53 million, driven by lower collective provisions reflecting an improvement in the economic outlook;
- A decrease in Institutional Banking and Markets of $258 million to a benefit of $81 million, driven by lower collective provisions reflecting an improvement in the economic outlook, and lower individual provisions;
- A decrease in Corporate Centre and Other of $72 million or 86% to $12 million, driven by the release of a central management overlay, partly offset by higher collective provision charges in PTBC, mainly reflecting a deterioration in credit quality and the economic outlook in Indonesia due to COVID-19; and
- A decrease in New Zealand of $59 million to a benefit of $32 million, driven by lower collective provisions reflecting an improvement in the economic outlook.

Loan impairment expense annualised as a percentage of average gross loans and acceptances (GLAAs) decreased 30 basis points to -8 basis points.

Full Year Loan Impairment Expense ("cash basis") as a percentage of average GLAAs (bpts)



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



Taxation Expense (continuing operations basis)

	Full Year Ended [1]			Half Year Ended [1]		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
	$M	$M	Jun 20 %	**$M**	$M	Dec 20 %
Corporate tax expense ($M)	**3,590**	3,022	19	**1,970**	1,620	22
Effective tax rate - "cash basis" (%)	**29. 3**	29. 5	(20)bpts	**29. 2**	29. 5	(30)bpts

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

Year Ended June 2021 versus June 2020

Corporate tax expense was $3,590 million, an increase of $568 million or 19% on the prior year, reflecting a 29.3% effective tax rate.

The rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore jurisdictions that have lower corporate tax rates, and profits of associates which is reflected on an after tax basis.

The 20 basis points decrease in the effective tax rate from 29.5% to 29.3% was primarily due to higher net profits from minority investments.

Half Year Ended June 2021 versus December 2020

Corporate tax expense was $1,970 million, an increase of $350 million or 22% on the prior half, reflecting a 29.2% effective tax rate.

The rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore jurisdictions that have lower corporate tax rates, and profits of associates which is reflected on an after tax basis.

Group Performance Analysis (continued)

Group Assets and Liabilities

	As at[1]				
	30 Jun 21	31 Dec 20	30 Jun 20	Jun 21 vs	Jun 21 vs
Total Group Assets and Liabilities	**$M**	$M	$M	Dec 20 %	Jun 20 %
Interest earning assets					
Home loans[2]	**579,756**	559,317	542,881	4	7
Consumer finance	**16,997**	17,449	18,217	(3)	(7)
Business and corporate loans	**220,703**	216,855	218,126	2	1
Loans, bills discounted and other receivables[3]	**817,456**	793,621	779,224	3	5
Non-lending interest earning assets[4]	**219,473**	201,833	178,806	9	23
Total interest earning assets	**1,036,929**	995,454	958,030	4	8
Other assets[3, 4]	**53,832**	62,149	55,671	(13)	(3)
Assets held for sale[4, 5]	**1,201**	1,617	1,770	(26)	(32)
Total assets	**1,091,962**	1,059,220	1,015,471	3	8
Interest bearing liabilities					
Transaction deposits[6]	**173,626**	169,342	146,446	3	19
Savings deposits[6]	**259,244**	249,999	236,652	4	10
Investment deposits	**154,252**	167,904	181,473	(8)	(15)
Other demand deposits	**64,843**	66,845	61,940	(3)	5
Total interest bearing deposits	**651,965**	654,090	626,511	–	4
Debt issues	**103,003**	122,548	142,503	(16)	(28)
Term funding from central banks[7]	**51,856**	19,146	1,500	large	large
Other interest bearing liabilities[4]	**59,945**	49,945	49,764	20	20
Total interest bearing liabilities	**866,769**	845,729	820,278	2	6
Non-interest bearing transaction deposits	**112,537**	91,013	74,335	24	51
Other non-interest bearing liabilities[4]	**33,533**	46,903	48,326	(29)	(31)
Liabilities held for sale[4, 5]	**405**	655	594	(38)	(32)
Total liabilities	**1,013,244**	984,300	943,533	3	7

[1] Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in Note 1.1 of the 2021 Annual Report.

[2] Home loans are presented gross of $57,813 million of mortgage offset balances (31 December 2020: $57,479 million; 30 June 2020: $50,597 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.

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

[4] 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. As at 30 June 2021, $305 million of non-lending interest earning assets (31 December 2020: $258 million; 30 June 2020: $267 million) and $894 million of other assets (31 December 2020: $851 million; 30 June 2020: $844 million) have been reclassified to assets held for sale, and $3 million in interest bearing liabilities (31 December 2020: $2 million; 30 June 2020: $3 million) and $402 million in other non-interest bearing liabilities (31 December 2020: $369 million; 30 June 2020: $403 million) have been reclassified to liabilities held for sale in relation to this business.

[5] On 3 May 2021, CBA completed the sale of Australian Investment Exchange Limited (AUSIEX) to Nomura Research Institute (NRI), and the merger of Aussie Home Loans (AHL) with Lendi Pty Ltd (Lendi). The assets and liabilities held for sale in relation to these businesses have been deconsolidated during the six months ended 30 June 2021, resulting in a decrease in the assets held for sale of $506 million and a decrease in the liabilities held for sale of $284 million.

[6] Transaction and savings deposits includes $57,813 million of mortgage offset balances (31 December 2020: $57,479 million; 30 June 2020: $50,597 million).

[7] Term funding from central banks includes the drawn balances of the RBA Term Funding Facility and the RBNZ Funding for Lending Programme.

Year Ended June 2021 versus June 2020

Total assets were $1,092 billion, an increase of $76 billion or 8% on the prior year, driven by an increase in non-lending interest earning assets, home loans, and business and corporate loans, partly offset by lower other assets and consumer finance balances.

Total liabilities were $1,013 billion, an increase of $70 billion or 7% on the prior year, driven by an increase in transaction and savings deposits, term funding from central banks, other interest bearing liabilities and other demand deposits, partly offset by a decrease in debt issues, investment deposits, and other non-interest bearing liabilities.

The Bank continued to fund a significant portion of lending growth from customer deposits. Customer deposits represented 73% of total funding (30 June 2020: 74%).

Home loans

Home loan balances increased $37 billion to $580 billion, a 7% increase on the prior year. The increase was driven by Retail Banking Services, Business Banking and New Zealand. Domestic home loan growth of 7% was above system growth. Proprietary mix for CBA branded home loans increased from 58% to 59% of new business flows, with higher new business application volumes and continued focus on credit decisioning turnaround times.

Australian home loans amount to $516 billion (31 December 2020: $498 billion; 30 June 2020: $485 billion) of which 70% were owner occupied, 28% were investment home loans and 2% were lines of credit (31 December 2020: 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).

Group Assets and Liabilities (continued)

Consumer finance

Consumer finance balances decreased $1 billion to $17 billion, a 7% decrease on the prior year, in line with system. 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 $3 billion to $221 billion, a 1% increase on the prior year. This was driven by an $11 billion or 12% increase in Business Banking (above system growth) reflecting growth primarily across the Property, Agriculture and Health industries, while continuing to support Australian businesses with 12,600 additional loans funded under the Government's SME Guarantee Scheme. New Zealand business lending increased $2 billion or 9% and New Zealand rural lending increased 2% (excluding the impact of FX). Growth in Business Banking and New Zealand was partly offset by a $10 billion or 11% decline in institutional lending balances primarily due to a continued focus on risk adjusted returns, a highly liquid capital market, and a reduction in pooled facilities.

Domestic business lending (excluding institutional lending) increased 11%, above system growth.

Non-lending interest earning assets

Non-lending interest earning assets increased $41 billion to $219 billion, a 23% increase on the prior year. This was mainly driven by an increase in liquid asset balances due to strong customer deposit growth.

Other assets

Other assets, including derivative assets, property, plant and equipment and intangibles, decreased $2 billion to $54 billion, a 3% decline on the prior year. The decrease was driven by lower derivative assets due to foreign currency and interest rate movements, partly offset by higher commodities inventory balances in Institutional Banking and Markets.

Total interest bearing deposits

Total interest bearing deposits increased $25 billion to $652 billion, a 4% increase on the prior year. 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 domestic money supply, growth in mortgage offsets, and increased demand for at-call deposits in the low-rate environment. The reduction in investment deposits reflects higher demand for at-call deposits.

Domestic household deposits grew at 11%, above system growth.

Debt issues

Debt issues decreased $40 billion to $103 billion, a 28% decrease on the prior year, reflecting lower wholesale funding requirements due to growth in customer deposit funding and additional drawdown of the RBA's Term Funding Facility (TFF).

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 37-38 for further information on debt programs and issuance for the year ended 30 June 2021.

Term funding from central banks

Term funding from central banks includes the drawn balance of the RBA Term Funding Facility and the RBNZ Funding for Lending Programme. Term funding from central banks increased $50 billion on the prior year, predominantly driven by additional drawdown of the RBA Term Funding Facility during the year.

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 $10 billion to $60 billion, a 20% increase on the prior year. The increase was mainly driven by the issuance of additional Tier 2 Capital instruments and PERLS XIII, growth in foreign currency term deposits and deposits from other banks.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $38 billion to $113 billion, a 51% increase on the prior year. The growth was driven by increased domestic money supply and higher demand for at-call deposits in the low-rate environment.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities, decreased $15 billion to $34 billion, a 31% decrease on the prior year. The decrease was mainly driven by lower derivative liabilities primarily due to foreign currency and interest rate movements.

Half Year Ended June 2021 versus December 2020

Total assets increased $33 billion or 3% on the prior half, driven by increased home loans, non-lending interest earning assets, and business and corporate loans, partly offset by lower other assets and consumer finance balances.

Total liabilities increased $29 billion or 3% on the prior half, reflecting an increase in term funding from central banks, transaction deposits (interest bearing and non-interest bearing) and savings deposits, and other interest bearing liabilities, partly offset by a decline in debt issues, investment deposits, other non-interest bearing liabilities, and other demand deposits.

Customer deposits represented 73% of total funding (31 December 2020: 75%).

Home loans

Home loan balances increased $20 billion or 4% on the prior half, driven by an increase in Retail Banking Services, New Zealand and Business Banking. Domestic home loan growth of 4% was above system growth. Proprietary mix for CBA branded home loans increased from 56% to 61% of new business flow, with higher new business application volumes and continued focus on credit decisioning turnaround times.

Group Assets and Liabilities (continued)

Consumer finance

Consumer finance balances decreased 3% on the prior half, in line with system. The decrease was driven by lower consumer demand for unsecured lending, and seasonality of spend.

Business and corporate loans

Business and corporate loans increased $4 billion or 2% on the prior half, driven by $7 billion or 8% growth in Business Banking reflecting increases primarily across the Property, Agriculture and Manufacturing industries, while continuing to support Australian businesses with 7,800 additional loans funded under the Government's SME Guarantee Scheme. New Zealand business lending increased 7% and New Zealand rural lending increased 1% (excluding the impact of FX). Growth in Business Banking and New Zealand was partly offset by a $4 billion or 4% decline in institutional lending balances primarily driven by a reduction in pooled facilities.

Domestic business lending (excluding institutional lending) increased 7%, above system growth.

Non-lending interest earning assets

Non-lending interest earning assets increased $18 billion or 9% on the prior half. This was mainly driven by an increase in liquid asset balances due to strong customer deposit growth.

Other assets

Other assets, including derivative assets, property, plant and equipment and intangibles, decreased $8 billion or 13% on the prior half, driven by lower derivative assets primarily due to foreign currency and interest rate movements.

Total interest bearing deposits

Total interest bearing deposits decreased $2 billion on the prior half, primarily driven by lower investment deposits, partly offset by growth in transaction and savings deposits, reflecting higher demand for at-call deposits in the low-rate environment.

Domestic household deposits grew at 2%, above system growth.

Debt issues

Debt issues decreased $20 billion or 16% on the prior half, reflecting lower wholesale funding requirements due to growth in customer deposit funding and additional drawdown of the TFF.

Refer to pages 37-38 for further information on debt programs and issuance for the half year ended 30 June 2021.

Term funding from central banks

Term funding from central banks increased $33 billion on the prior half, predominantly driven by an additional $32 billion drawdown of the RBA Term Funding Facility during the half, and a $1 billion drawdown of the Funding for Lending Programme by ASB.

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 $10 billion or 20% on the prior half. The increase was primarily driven by the issuance of additional Tier 2 Capital instruments and PERLS XIII, growth in central bank deposits, foreign currency term deposits and deposits from other banks.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits increased $22 billion or 24% on the prior half. The growth was driven by increased domestic money supply and higher demand for at-call deposits in the low-rate environment.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities, decreased $13 billion or 29% on the prior half. The decrease was mainly driven by lower derivative liabilities primarily due to foreign currency and interest rate movements.

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Group Operations & Business Settings

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Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	30 Jun 21 $M	31 Dec 20 $M	30 Jun 20 $M	Jun 21 vs Dec 20 %	Jun 21 vs Jun 20 %
Provisions for impairment losses					
Collective provisions	**5,311**	5,943	5,396	(11)	(2)
Individually assessed provisions	**900**	872	967	3	(7)
Total provisions for impairment losses	**6,211**	6,815	6,363	(9)	(2)
Less: Provisions for off Balance Sheet exposures	**(111)**	(137)	(119)	(19)	(7)
Total provisions for loan impairment	**6,100**	6,678	6,244	(9)	(2)

Year Ended June 2021 versus June 2020

Total provisions for impairment losses as at 30 June 2021 were $6,211 million, a decrease of $152 million or 2% on the prior year.

Collective provisions

- Consumer collective provisions decreased by $160 million or 5% to $3,029 million. This reflects an improvement in the economic outlook, and lower consumer finance balances with reduced arrears, partly offset by increased forward looking adjustments, mainly due to the impact of COVID-19.
- Corporate collective provisions increased by $75 million or 3% to $2,282 million. This was driven by increased forward looking adjustments, in particular for the aviation sector, mainly due to the ongoing impact of COVID-19 related travel restrictions.

Individually assessed provisions

- Consumer individually assessed provisions decreased by $51 million or 21% to $189 million. This was mainly driven by lower impairments in the Australian home lending portfolio reflecting the impacts of government stimulus, repayment deferrals and growth in house prices over the period.
- Corporate individually assessed provisions decreased by $16 million or 2% to $711 million. This was mainly due to write-backs and write-offs across various industry sectors, partly offset by the impairment of a small number of large exposures.

Half Year Ended June 2021 versus December 2020

Total provisions for impairment losses decreased $604 million or 9% on the prior half.

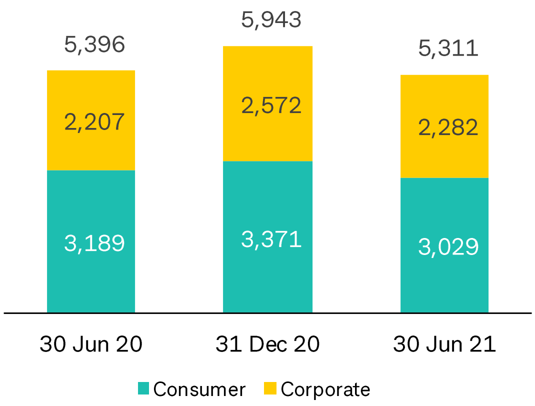
Collective provisions

- Consumer collective provisions decreased by $342 million or 10% to $3,029 million. This reflects an improvement in the economic outlook, lower consumer finance balances and improved credit quality, partly offset by increased forward looking adjustments, mainly for higher risk customers due to the impact of COVID-19.
- Corporate collective provisions decreased by $290 million or 11% to $2,282 million. This reflects an improvement in the economic outlook, partly offset by increased forward looking adjustments for higher risk sectors due to the impact of COVID-19.

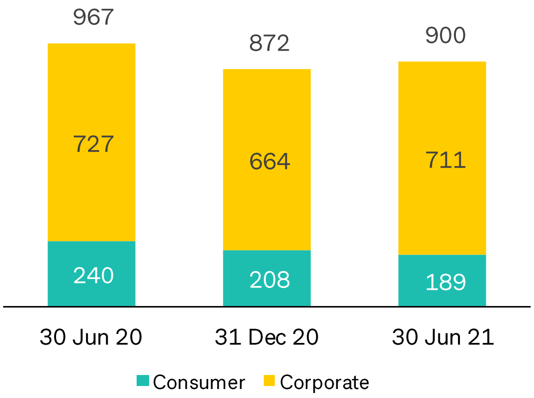
Individually assessed provisions

- Consumer individually assessed provisions decreased by $19 million or 9% to $189 million. This was mainly driven by lower impairments in the Australian home lending portfolio reflecting the impacts of government stimulus, repayment deferrals and growth in house prices over the period.
- Corporate individually assessed provisions increased by $47 million or 7% to $711 million. This was mainly driven by the impairment of a small number of large exposures, partly offset by write-backs and write-offs across various industry sectors.

Collective Provisions ($M)



Individually Assessed Provisions ($M)



Group Operations and Business Settings (continued)

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

	Full Year Ended[1]			Half Year Ended[1]		
Credit Quality Metrics	**30 Jun 21**	30 Jun 20	Jun 21 vs Jun 20 %	**30 Jun 21**	31 Dec 20	Jun 21 vs Dec 20 %
Gross loans and acceptances (GLAA) ($M)	**818,266**	780,108	5	**818,266**	794,473	3
Risk weighted assets (RWA) ($M) - Basel III	**450,680**	454,948	(1)	**450,680**	453,616	(1)
Credit RWA ($M) - Basel III	**381,550**	374,194	2	**381,550**	376,900	1
Gross impaired assets ($M)	**3,409**	3,548	(4)	**3,409**	3,100	10
Net impaired assets ($M)	**2,250**	2,293	(2)	**2,250**	1,920	17
Provision Ratios						
Collective provisions as a % of credit RWA - Basel III	**1. 39**	1. 44	(5)bpts	**1. 39**	1. 58	(19)bpts
Total provisions as a % of credit RWA - Basel III	**1. 63**	1. 70	(7)bpts	**1. 63**	1. 81	(18)bpts
Total provisions for impaired assets as a % of gross impaired assets	**33. 99**	35. 37	(138)bpts	**33. 99**	38. 07	(408)bpts
Total provisions for impaired assets as a % of gross impaired assets (corporate)	**49. 52**	46. 62	290 bpts	**49. 52**	48. 42	110 bpts
Total provisions for impaired assets as a % of gross impaired assets (consumer)	**22. 04**	26. 18	(414)bpts	**22. 04**	29. 09	large
Total provisions for impairment losses as a % of GLAAs	**0. 76**	0. 82	(6)bpts	**0. 76**	0. 86	(10)bpts
Asset Quality Ratios						
Gross impaired assets as a % of GLAAs	**0. 42**	0. 45	(3)bpts	**0. 42**	0. 39	3 bpts
Loans 90+ days past due but not impaired as a % of GLAAs	**0. 46**	0. 43	3 bpts	**0. 46**	0. 39	7 bpts
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	**0. 07**	0. 33	(26)bpts	**(0. 08)**	0. 22	(30)bpts
Net write-offs annualised as a % of GLAAs	**0. 09**	0. 13	(4)bpts	**0. 07**	0. 11	(4)bpts
Corporate total committed exposures rated investment grade (%)[2]	**68. 30**	66. 30	200 bpts	**68. 30**	65. 90	240 bpts
Australian Home Loan Portfolio						
Portfolio dynamic LVR (%)[3]	**48. 96**	52. 69	(373)bpts	**48. 96**	51. 45	(249)bpts
Customers in advance (%)[4]	**78. 49**	80. 12	(163)bpts	**78. 49**	79. 82	(133)bpts

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

As at 30 June 2021, total provisions as a proportion of credit RWA decreased by 18 basis points on the prior half to 1.63%. This was driven by lower collective provisions, reflecting an improvement in the economic outlook, partly offset by increased forward looking adjustments for higher risk customers and sectors due to the impact of COVID-19, and increased individual provisions reflecting the impairment of a small number of large exposures.

Gross impaired assets were $3,409 million, an increase of $309 million or 10% on the prior half, mainly driven by an increase in restructured home loans within ASB. Gross impaired assets as a proportion of GLAAs were 0.42%, an increase of 3 basis points on the prior half. Provision coverage for the impaired asset portfolio was 33.99%, a decrease of 408 basis points on the prior half, driven by an increase in gross impaired assets and a reduction in non-performing home loans across the Group, partly offset by the impairment of a small number of large corporate exposures.

COVID-19 Support

From March 2020, the Bank extended a number of support measures for customers impacted by COVID-19, which included loan repayment deferral arrangements and the origination of loans under the Government’s Small and Medium Enterprises (SME) Guarantee Scheme and SME Recovery Loan Scheme. Under these schemes, the Government guarantees 50-80% of new loans issued to SMEs.

By June 2021, the vast majority of customers on repayment deferral arrangements had returned to regular repayments on their loans. The Group extended new support measures in July 2021 to assist customers further impacted by COVID-19, including loan repayment deferral arrangements, fee waivers and refunds.

For further details on loan modifications relating to COVID-19, refer to Note 3.2 in the 2021 Annual Report.

Loan Impairment Provisions and Credit Quality (continued)

Retail Portfolio Asset Quality

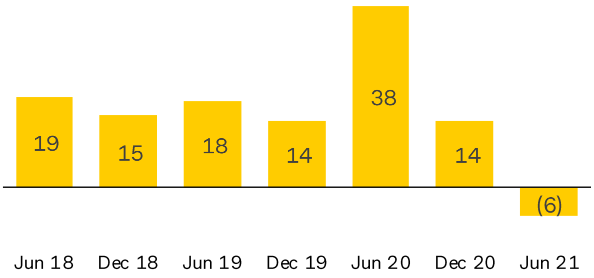
Consumer loan impairment expense (LIE) as a percentage of average gross loans and acceptances was -6 basis points, a decrease of 20 basis points on the prior half, driven by lower collective provisions, reflecting an improvement in the economic outlook, and lower consumer finance balances with reduced arrears.

Home loan 90+ days arrears were 0.64%, an increase of 7 basis points on the prior half, primarily driven by a small number of loans which have not resumed regular repayments following the expiration of repayment deferral arrangements. Credit cards and Personal loans 90+ days arrears were 0.61% and 1.09% respectively, a decrease of 5 basis points and 39 basis points on the prior half, driven by an improvement in customer origination quality and economic conditions.

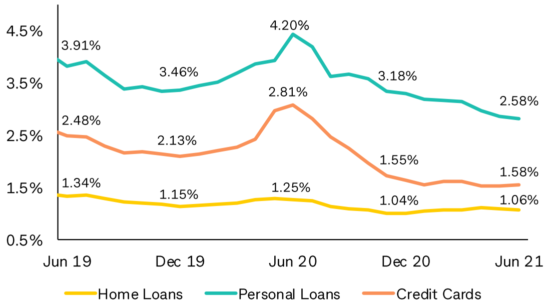
The home loan dynamic LVR was 48.96%, a decrease of 249 basis points on the prior half, driven by growth in house prices over the period. The home lending book remains well secured and the majority of home lending customers remain in advance of scheduled repayments.

Consumer LIE

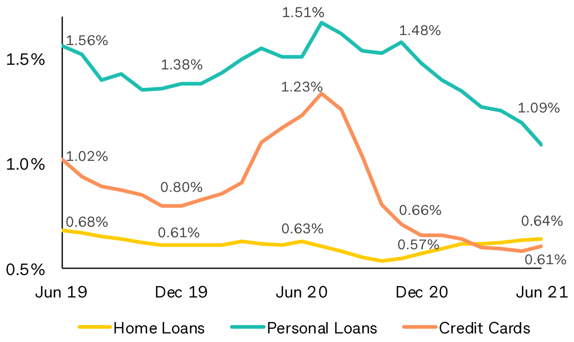
Half Year Loan impairment expense (“cash basis”) annualised as percentage of average GLAAs (bpts)



30+ Days Arrears Ratios (%) [1]



90+ Days Arrears Ratios (%) [1]



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[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)

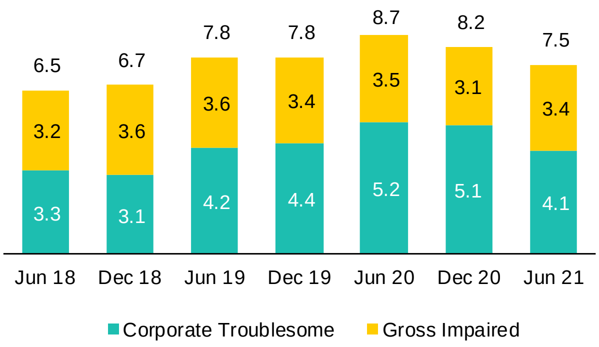
Corporate Portfolio Asset Quality

Corporate troublesome exposures were $4.1 billion, a decrease of $1.0 billion or 19% on the prior half, due to a range of refinancing, exposure reduction and rehabilitation activities that have been completed in the current half, partly offset by the downgrade of a small number of exposures into the troublesome portfolio across a range of sectors.

Investment grade rated exposures increased by 240 basis points on the prior half to 68.3% of overall portfolio risk graded counterparties, reflecting the impact of client upgrades and increased exposures to the Government sector.

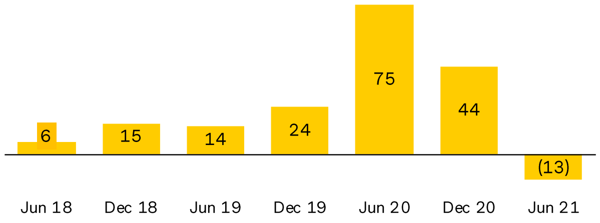
Corporate LIE as a percentage of gross loans and acceptances was -13 basis points, a decrease of 57 basis points on the prior half, driven by lower collective provisions reflecting an improvement in the economic outlook.

Troublesome and Impaired Assets ($B)



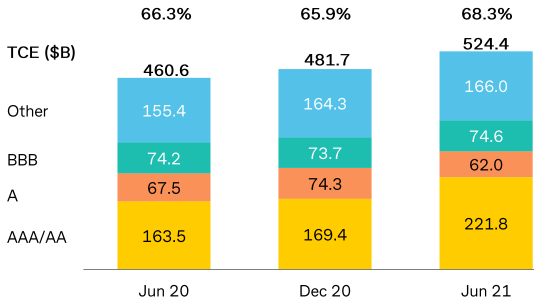
Corporate LIE

Half Year Loan impairment expense (“cash basis”) annualised as percentage of average GLAA (bpts) [1]



Corporate Portfolio Quality

% of book rated investment grade [1]



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

[1] CBA grades in S&P equivalents.

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 250 basis points, from 12.8% to 15.3% of the Bank's total committed exposure, driven by an increase in central bank cash holdings, as the Bank re-weighted its portfolio as part of ongoing liquidity management activities.

Movements in troublesome and impaired assets (TIA) were mixed across sectors, as total TIA decreased by $672 million compared to the prior half to $7,523 million.

TIA as a percentage of total committed exposures (TCE) was 0.61%, a decrease of 9 basis points on the prior half reflecting:

- Media & Communications (down 198 basis points) driven by the upgrade of a single name exposure;
- Entertainment, Leisure & Tourism (down 121 basis points) driven by upgrades and impaired exposure reductions;
- Retail Trade (down 80 basis points) driven by upgrades and impaired exposure reductions for a small number of single name exposures;
- Mining, Oil & Gas (down 62 basis points) driven by the sale and repayment of a small number of single name exposures;
- Construction (down 58 basis points) driven by upgrades and impaired exposure reductions across the portfolio;
- Education (down 42 basis points) driven by the repayment of a single name exposure;
- Health & Community Services (down 38 basis points) driven by impaired exposure reductions and upgrades across a small number of single name exposures;
- Commercial Property (down 35 basis points) driven by repayments and upgrades for a small number of single name exposures;
- Agriculture & Forestry (down 34 basis points) driven by the upgrade of a number of smaller exposures; and
- Wholesale Trade (down 32 basis points) driven by upgrades across a number of smaller exposures; partly offset by
- Personal & Other Services (up 13 basis points) driven by the downgrade of a number of smaller exposures.

	Total Committed Exposures (TCE)		Troublesome and Impaired Assets (TIA)		TIA % of TCE	
	30 Jun 21	31 Dec 20	30 Jun 21	31 Dec 20	30 Jun 21	31 Dec 20
Sector	%	%	$M	$M	%	%
Consumer	57.5	58.7	1,982	1,662	0.28	0.24
Government, Admin. & Defence	15.3	12.8	–	–	–	–
Commercial Property	6.5	6.6	653	904	0.82	1.17
Finance & Insurance	6.5	6.8	16	21	0.02	0.03
Transport & Storage	2.1	2.3	714	755	2.69	2.82
Agriculture & Forestry	2.1	2.1	797	861	3.14	3.48
Manufacturing	1.3	1.4	512	545	3.22	3.41
Entertainment, Leisure & Tourism	1.0	1.1	914	1,071	7.06	8.27
Electricity, Water & Gas	1.0	1.1	172	170	1.35	1.35
Retail Trade	1.0	1.0	345	424	2.78	3.58
Business Services	0.9	1.0	348	390	3.03	3.26
Health & Community Services	0.9	0.9	74	116	0.69	1.07
Wholesale Trade	0.9	0.9	238	262	2.23	2.55
Construction	0.8	0.8	295	342	2.88	3.46
Mining, Oil & Gas	0.7	0.8	66	126	0.76	1.38
Media & Communications	0.4	0.5	72	175	1.32	3.30
Personal & Other Services	0.3	0.3	111	105	3.35	3.22
Education	0.3	0.3	27	40	0.86	1.28
Other	0.5	0.6	187	226	3.25	3.44
Total	**100.0**	100.0	**7,523**	8,195	**0.61**	0.70

Group Operations and Business Settings (continued)

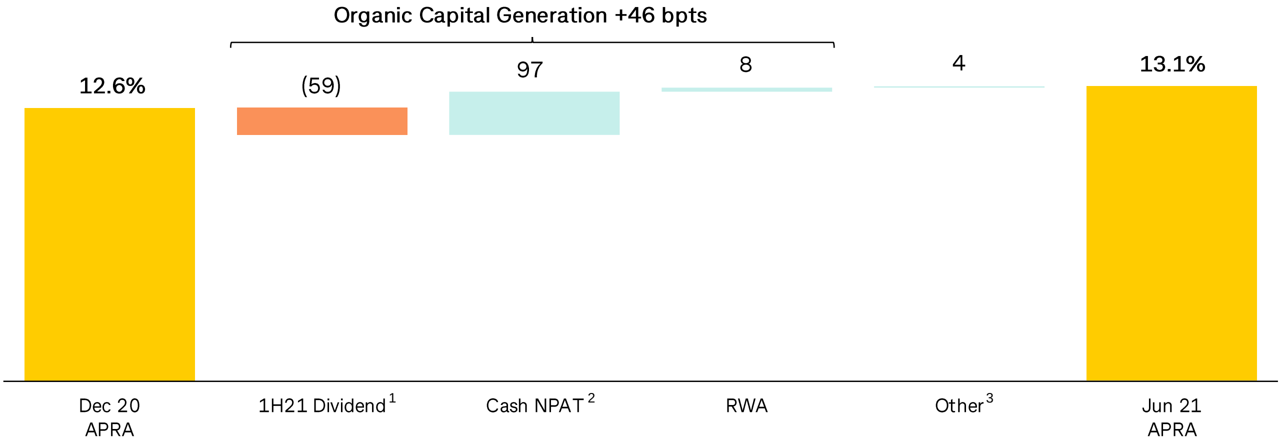
Capital

	As at				
	30 Jun 21	31 Dec 20	30 Jun 20	Jun 21 vs	Jun 21 vs
Summary Group Capital Adequacy Ratios	**%**	%	%	Dec 20 %	Jun 20 %
Common Equity Tier 1	13. 1	12. 6	11. 6	50 bpts	150 bpts
Tier 1	15. 7	15. 0	13. 9	70 bpts	180 bpts
Tier 2	4. 1	3. 9	3. 6	20 bpts	50 bpts
Total Capital (APRA)	19. 8	18. 9	17. 5	90 bpts	230 bpts
Common Equity Tier 1 (Internationally Comparable) [1]	19. 4	18. 7	17. 4	70 bpts	200 bpts

[1] Aligns with the 13 July 2015 APRA study titled “International capital comparison study”.

Capital – CET1 (APRA)

+50bpts in 2H21



[1] The 2021 interim dividend included the on-market purchase of $418 million of shares (CET1 impact of 9 basis points) in respect of the Dividend Reinvestment Plan.

[2] Excludes net equity accounted profits from associates as they are capital neutral with offsetting increases in regulatory capital deductions.

[3] Includes receipt of the final proceeds from the sale of CommInsure Life (CET1 impact of 2 basis points).

Capital Position

The Group’s CET1 ratio (APRA) was 13.1% as at 30 June 2021, an increase of 50 basis points from 31 December 2020 and an increase of 150 basis points from 30 June 2020. 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 full year ended 30 June 2021.

Key drivers of the change in CET1 for the 6 months ended 30 June 2021 were capital generated from earnings (+97 basis points, excluding net equity accounted profits from associates), lower total RWA (+8 basis points) and other regulatory adjustments (+4 basis points), partly offset by the 2021 interim dividend (-59 basis points) in which the DRP was satisfied in full by the on-market purchase of shares.

Further details on the movements in RWA are provided on page 32.

Internationally Comparable Capital Position

The Group’s CET1 ratio as measured on an internationally comparable basis was 19.4% as at 30 June 2021, placing it amongst the top quartile of international peer banks.

Capital Initiatives

The following significant capital initiatives were undertaken during the year ended 30 June 2021:

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%; and
- The DRP in respect of the 2021 interim dividend was satisfied in full by the on-market purchase of shares. The participation rate for the interim DRP was 15.7%.

Additional Tier 1 Capital

- In April 2021, the Bank issued $1,180 million of CommBank PERLS XIII Capital Notes (PERLS XIII) that are Basel III compliant Additional Tier 1 capital.

Tier 2 Capital

The Group issued the following Basel III compliant subordinated notes:

- AUD205 million and AUD200 million in August 2020;
- AUD1,400 million in September 2020;
- AUD270 million in December 2020; and
- USD1,250 million and USD1,500 million in March 2021.

The Group redeemed the following Basel III compliant subordinated notes:

- Partial redemption of EUR660 million and USD653 million from existing EUR1,250 million and USD1,250 million subordinated notes in March 2021; and
- AUD750 million in June 2021.

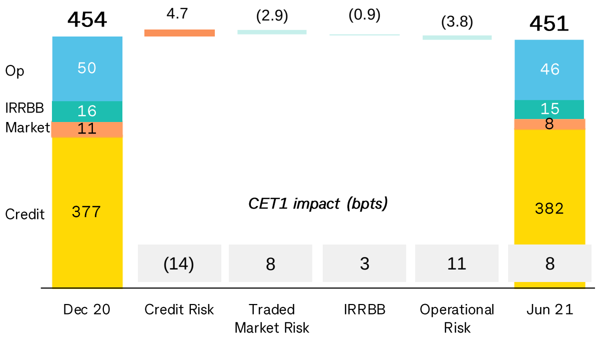
Capital (continued)

Risk Weighted Assets (RWA)

Total Group Risk Weighted Assets

Total RWA decreased by $2.9 billion or 1% on the prior half to $450.7 billion driven by reductions in Operational Risk RWA, Traded Market Risk RWA and Interest Rate Risk in the Banking Book (IRRBB) RWA; partly offset by higher Credit Risk RWA.

Total Risk Weighted Assets ($B)

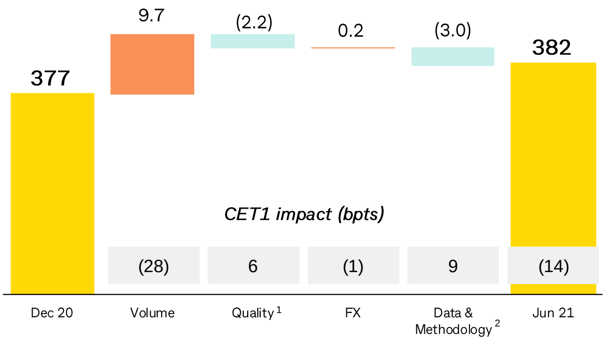


Credit Risk Weighted Assets

Credit Risk RWA increased by $4.7 billion or 1% on the prior half to $381.6 billion. Key drivers include:

- Volume growth across residential mortgages, commercial portfolios and sovereign exposures, partly offset by a reduction in unsecured retail portfolios, bank exposures, derivatives and exposures subject to standardised treatment (increase of $9.7 billion);
- Credit quality improvement, primarily across non-retail portfolios, partly offset by an increase in residential mortgage risk weights due to a lower proportion of customers in advance and lower provision coverage on defaulted assets (decrease of $2.2 billion);
- Foreign currency movements (increase of $0.2 billion); and
- Data and methodology, credit risk estimates and other changes (decrease of $3.0 billion).

Credit Risk Weighted Assets ($B)



1 Credit quality includes portfolio mix.
2 Includes data and methodology, credit risk estimates changes and regulatory treatments.

Traded Market Risk Weighted Assets

Traded Market Risk RWA decreased by $2.9 billion or 26% on the prior half to $8.3 billion. This was mainly due to changes in risk positioning and reduced exposure to Funding Valuation Adjustments.

Interest Rate Risk Weighted Assets

IRRBB RWA decreased by $0.9 billion or 6% on the prior half to $14.6 billion. This was primarily driven by changes in interest rate risk management positions and model refinements, partly offset by a reduction in embedded gains due to higher interest rates.

Operational Risk Weighted Assets

Operational Risk RWA decreased by $3.8 billion or 8% on the prior half to $46.2 billion. The decrease is due to improvements in the Group's operational risk profile, driven by enhanced management of conduct risk, strengthening of the control environment and operational structure simplification resulting from divestments and business model changes. As at 30 June 2021, the Operational Risk RWA includes a $6.25 billion add-on required by APRA, following a 50% reduction of the add-on in the prior half.

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.

Under the existing capital framework, 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 30 June 2021, the Group's CET1 ratio was 13.1%, and was above the 10.5% benchmark for the entire 2021 financial year.

Subsequently, APRA issued proposed revisions to the overall design of the capital framework, to be implemented on 1 January 2023. These revisions 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 measured in dollar terms that remains consistent with the unquestionably strong capital benchmark. Further detail on the proposed APRA reforms is provided on page 33.

[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.

Group Operations and Business Settings (continued)

Capital (continued)

Regulator COVID-19 Announcements

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.

In July 2020, APRA issued guidance requiring banks to preserve capital through retaining at least half of their earnings during the period of disruption caused by COVID-19. On 15 December 2020, APRA announced that this guidance will no longer apply from 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.

In April 2020, the Reserve Bank of New Zealand (RBNZ) also issued guidance restricting the distribution of dividends by banks in New Zealand due to COVID-19. On 31 March 2021, the RBNZ announced that this guidance has been eased, allowing banks to pay up to a maximum of 50% of their earnings as dividends. This restriction will remain in place until 1 July 2022, at which point, the RBNZ has stated that it intends to normalise the dividend settings by removing the restrictions entirely, subject to no significant worsening in economic conditions. Dividends from the Bank's New Zealand subsidiary, ASB, only affect the Group's Level 1 CET1 capital ratio. As at 30 June 2021, the Group's Level 1 CET1 capital ratio was 13.3%, well above APRA's unquestionably strong benchmark, and as such, the Group is well placed to absorb the restriction of dividends.

COVID-19 Customer Support Measures

The Group continues to extend a number of support measures for customers impacted by COVID-19, which includes loan repayment deferral arrangements and the origination of loans under the Government's Small and Medium Enterprises (SME) Guarantee Scheme and SME Recovery Loan Scheme.

The Group received guidance from APRA and the RBNZ on the regulatory approach in relation to the implementation of the COVID-19 customer support measures.

- APRA temporary capital relief allowing ADIs to 'stop the clock' on arrears for deferred loans, and provided additional relief for restructured loans, in order to facilitate ADIs in transitioning impacted borrowers to a regular repayment schedule.
- The RBNZ provided similar concessions for repayment deferrals granted in response to COVID-19 up to 31 March 2021.

The Group's original temporary loan deferral programs concluded in March 2021, with the vast majority of customers returning to regular repayments on their loans. The Group has extended new support measures in July 2021 to assist customers further impacted by COVID-19, including loan repayment deferral arrangements, fee waivers and refunds. In response, APRA is providing regulatory relief to assist ADIs in supporting their customers through this period. For eligible borrowers, ADIs will not need to treat the period of deferral as a period of arrears or a loan restructuring. This will apply to loans that are granted a repayment deferral of up to three months before the end of August 2021.

The SME Guarantee Scheme and SME Recovery Loan Scheme were established by the Commonwealth Government to support economic recovery and provide continued assistance to businesses, and may be regarded as eligible guarantees by the government for risk weighting purposes. ASB has participated in a similar scheme in New Zealand. The Group will continue to provision for these loans under relevant accounting standards.

Pillar 3 Disclosures

Details on the market disclosures required under Pillar 3, per APRA Prudential Standard APS 330 "Public Disclosure", are provided on the Bank's website at:

www.commbank.com.au/regulatorydisclosures

Regulatory Reforms

APRA

Implementation of Basel III

From 1 January 2023, APRA will implement its revisions to the ADI capital framework, commonly known as "Basel III". The objectives of the proposed revisions 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. APRA's proposed revisions 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.

Capital (continued)

Further APRA Revisions

From 1 January 2022, the APRA requirements released under the final APS 222 “Associations with Related Entities” will be in place. 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.

From 1 January 2022, the APRA requirements released under the final APS 220 “Credit Risk Management” will be in place. The revised standard is broader than the existing requirements, covering credit standards through to the ongoing monitoring and management of credit portfolios.

In January 2022, APRA will change its existing approach on equity exposures to banking and insurance subsidiaries of ADIs under the final revised APS 111 “Capital Adequacy: Measurement of Capital”. The revised standard requires each individual equity exposure to 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. Any new or additional investments (made before 1 January 2022) which exceed the 10% threshold will be required to be deducted from Level 1 CET1 capital in the interim period. The revision is expected to result in an uplift to the Group's Level 1 CET1 capital ratio of 15 to 20 basis points. There is no impact to the Group's Level 2 CET1 capital ratio.

From 1 January 2024, the Australian loss-absorbing capacity regime will be established under the existing capital framework. For D-SIBS, including CBA, APRA will require an additional Total Capital requirement of 3% of RWA based on the existing capital framework.

In 2024, changes to APS 116 “Capital Adequacy: Market Risk”, also known as the Fundamental Review of the Trading Book, are expected to be implemented. APRA is yet to commence consultation on these changes.

Reserve Bank of New Zealand (RBNZ)

In June 2021, the RBNZ finalised its bank capital adequacy requirements. These requirements include the RWA of IRB banks, such as ASB Bank Limited, increasing 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.

These reforms will be phased in from 1 October 2021 with full implementation on 1 July 2028. Revisions to Additional Tier 1 and Tier 2 eligibility will commence on 1 July 2021.

Group Operations and Business Settings (continued)

Leverage Ratio

	As at [1]				
Summary Group Leverage Ratio	**30 Jun 21**	31 Dec 20	30 Jun 20	Jun 21 vs Dec 20 %	Jun 21 vs Jun 20 %
Tier 1 Capital ($M)	**70,844**	67,900	63,392	4	12
Total Exposures ($M) [2]	**1,178,061**	1,126,562	1,074,564	5	10
Leverage Ratio (APRA) (%)	**6. 0**	6. 0	5. 9	–	10 bpts
Leverage Ratio (Internationally Comparable) (%) [3]	**6. 9**	6. 8	6. 7	10 bpts	20 bpts

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

[2] 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".

[3] 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 Group's Leverage Ratio, defined as Tier 1 Capital as a percentage of total exposures, was 6.0% at 30 June 2021 on an APRA basis. The ratio was stable across the half with capital generated from earnings and the PERLS XIII Additional Tier 1 capital issuance offset by the payment of the 1H21 dividend and an increase in exposures. The leverage ratio was 6.9% at 30 June 2021 on an internationally comparable basis.

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.

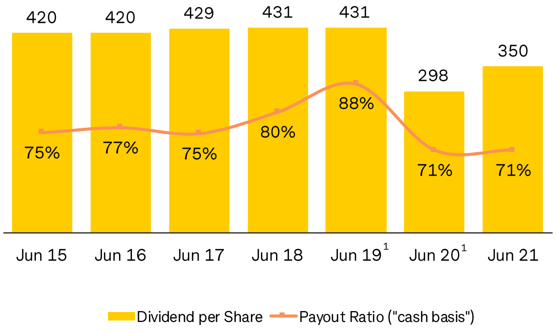
Dividends

Final dividend for the Year Ended 30 June 2021

The final dividend determined was $2.00 per share, bringing the total dividend for the year ended 30 June 2021 to $3.50, an increase of 52 cents compared to the prior full year dividend. The dividend payout ratio ("cash basis") for the full year ended to 30 June 2021 was 71% (61% on a "statutory basis") and for the half year ended 30 June 2021 was 73% (67% on a "statutory basis").

The final dividend will be fully franked and will be paid on 29 September 2021 to owners of ordinary shares at the close of business on 18 August 2021 (record date). Shares will be quoted ex-dividend on 17 August 2021.

Full Year Dividend History (cents per share)



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

Dividend Reinvestment Plan (DRP)

The DRP will continue to be offered to shareholders, and no discount will be applied to shares allocated under the plan for the final dividend. The DRP for the 2021 final 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.

In 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 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

	Quarterly Average Ended [1]				
	30 Jun 21	31 Dec 20	30 Jun 20	Jun 21 vs	Jun 21 vs
Level 2	**$M**	$M	$M	Dec 20 %	Jun 20 %
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) [2]	**126,827**	120,730	121,889	5	4
Committed Liquidity Facility (CLF) [3]	**48,650**	62,425	68,931	(22)	(29)
Total LCR liquid assets	**175,477**	183,155	190,820	(4)	(8)
Net Cash Outflows (NCO)					
Customer deposits	**102,915**	97,779	93,759	5	10
Wholesale funding	**11,631**	10,834	11,869	7	(2)
Other net cash outflows [4]	**21,424**	19,720	17,935	9	19
Total NCO	**135,970**	128,333	123,563	6	10
Liquidity Coverage Ratio (%)	**129**	143	155	(1,400)bpts	(2,600)bpts
LCR surplus	**39,507**	54,822	67,257	(28)	(41)

1 The averages presented are calculated as simple averages of daily observations over the quarter. Spot LCR for 30 June 2021 was 127% (31 December 2020: 127%; 30 June 2020: 145%).

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 (31 December 2020: $30.0 billion; 30 June 2020: $45.8 billion) and the Group's average undrawn TFF allowance of $18.7 billion as per APRA guidance.

4 Includes cash inflows.

Liquidity Coverage Ratio (LCR)

The Group 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.

On 19 March 2020, the RBA announced the establishment of a three-year Term Funding Facility (TFF) offered to eligible ADIs to support lending to Australian businesses with fixed rate funding (0.25% for drawdowns up to 4 November 2020, and 0.10% for new drawdowns from 4 November 2020 onwards). As at 30 June 2021, the Group has fully drawn its total available TFF allocation of $51.1 billion, comprised of $19.1 billion of Initial Allowance, $13.0 billion of Supplementary Allowance and $19.0 billion of Additional Allowance.

The Group's June 2021 quarterly average LCR was 129%, a decrease of 14% compared to the December 2020 quarterly average, and a decrease of 26% from the June 2020 quarterly average. The LCR remains well above the regulatory minimum of 100%.

Compared to the December 2020 quarterly average, LCR liquid assets decreased by $7.7 billion or 4% due to a decrease in the Group's CLF [1], partly offset by an increase in the total undrawn TFF allowance. The Group's 30 day modelled NCOs increased by $7.6 billion or 6% as a result of strong growth in at-call customer deposits.

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[1] From 1 December 2020, the available CLF decreased from $45.8 billion to $30.0 billion.

Group Operations and Business Settings (continued)

Funding

	As at [1]				
Group Funding [2]	**30 Jun 21 $M**	31 Dec 20 $M	30 Jun 20 $M	Jun 21 vs Dec 20 %	Jun 21 vs Jun 20 %
Customer deposits	**702,215**	681,848	642,402	3	9
Short-term wholesale funding [3]	**64,228**	65,501	70,373	(2)	(9)
Long-term wholesale funding - less than or equal to one year residual maturity [4]	**35,129**	30,326	22,147	16	59
Long-term wholesale funding - more than one year residual maturity [4]	**143,086**	119,739	125,563	19	14
IFRS MTM and derivative FX revaluations	**3,445**	5,270	7,241	(35)	(52)
Total wholesale funding	**245,888**	220,836	225,324	11	9
Short-term collateral deposits [5]	**13,436**	8,329	4,436	61	large
Total funding	**961,539**	911,013	872,162	6	10

1 Comparative information has been restated to conform to 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 securities that are not classified as high quality liquid assets sold or purchased under 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, Vostro balances, and other net repurchase agreements not reported above, including the amount pledged with the Reserve Bank to facilitate intra-day cash flows in the Exchange Settlement Account (ESA).

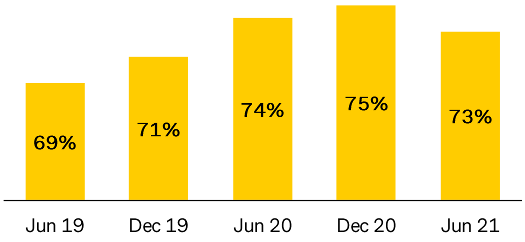
Customer Deposits

Customer deposits accounted for 73% of total funding at 30 June 2021, a decrease of 2% from 75% at 31 December 2020 and a decrease of 1% from 74% at 30 June 2020. The Group satisfied a significant proportion of its funding requirements from retail, business, and institutional customer deposits.

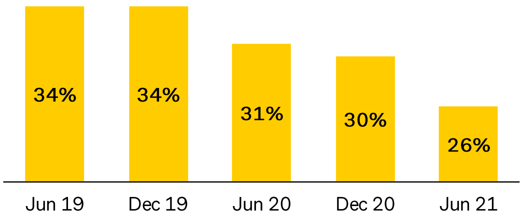
Short-Term Wholesale Funding

Short-term wholesale funding accounted for 26% of total wholesale funding at 30 June 2021, a decrease of 4% from 30% at 31 December 2020 and a decrease of 5% from 31% at 30 June 2020. The Group continues to maintain a conservative funding mix.

Customers Deposits to Total Funding Ratio



Short-Term to Total Wholesale Funding Ratio



Group Operations and Business Settings (continued)

Funding (continued)

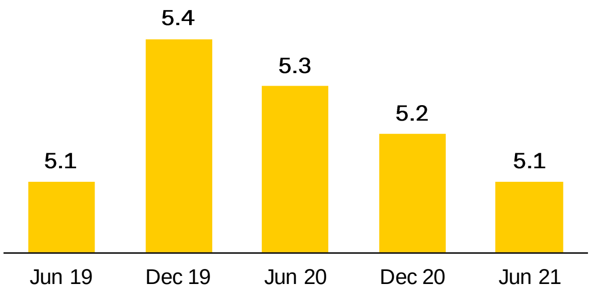
Long-Term Wholesale Funding

Long-term wholesale funding (including IFRS MTM and derivative FX revaluations) accounted for 74% of total wholesale funding at 30 June 2021, an increase of 4% from 70% at 31 December 2020 and an increase of 5% from 69% at 30 June 2020.

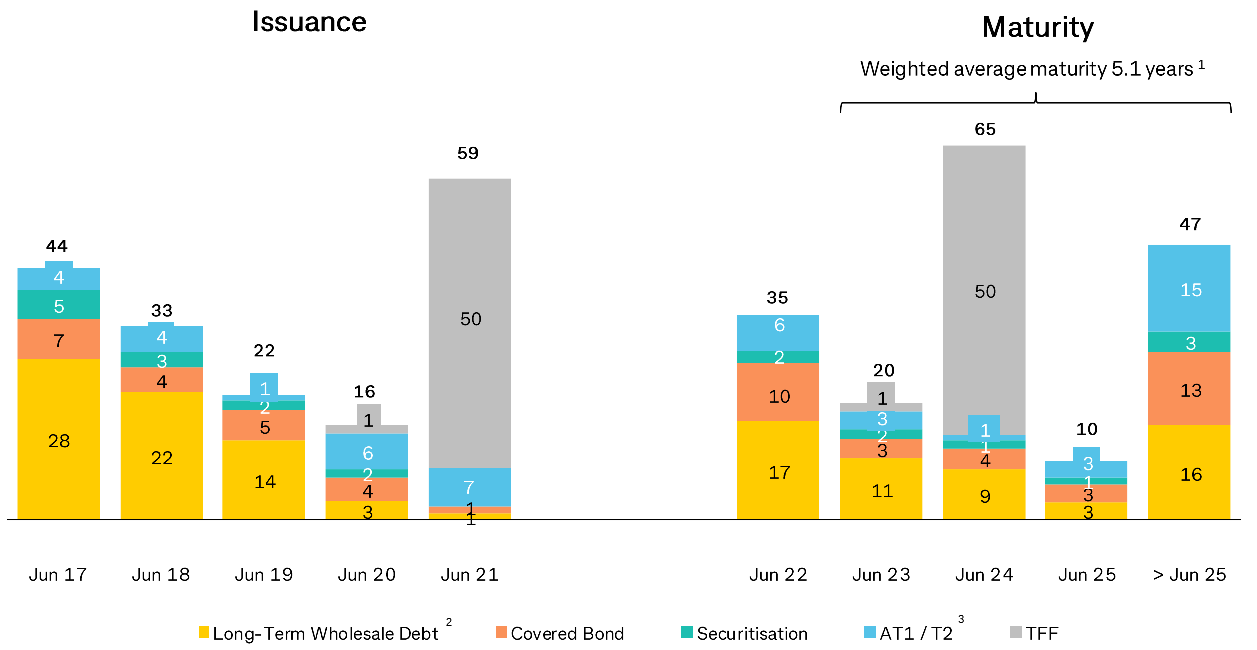
During the full year to 30 June 2021, the Group raised $9.0 billion of long-term wholesale funding, primarily in capital instruments. In addition, the Group drew down on $49.6 billion of its TFF allowance taking the total long-term funding for the 12 months to 30 June 2021 to $59.1 billion. The Group will be actively managing the maturity profile of the TFF across the 2023 – 2025 financial years through a range of funding sources.

The Weighted Average Maturity (WAM) of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 30 June 2021 was 5.1 years (6.4 years excluding the TFF).

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



Long-Term Wholesale Funding Profile ($B)



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1. Represents the weighted average maturity of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 30 June 2021 including the TFF drawdown. WAM as at 30 June 2021 excluding TFF drawdowns is 6.4 years (31 December 2020: 5.7 years; 30 June 2020: 5.3 years).
2. Includes Senior Bonds and Structured MTN.
3. Additional Tier 1 and Tier 2 Capital.

Group Operations and Business Settings (continued)

Net Stable Funding Ratio (NSFR)

	As at				
	30 Jun 21	31 Dec 20	30 Jun 20	Jun 21 vs	Jun 21 vs
Level 2	**$M**	$M	$M	Dec 20 %	Jun 20 %
Required Stable Funding					
Residential mortgages ≤35% [1, 2]	**275,208**	269,535	264,169	2	4
Other loans	**249,616**	243,543	236,540	2	6
Liquid and other assets	**69,408**	69,627	63,078	–	10
Total Required Stable Funding	**594,232**	582,705	563,787	2	5
Available Stable Funding					
Capital	**108,719**	103,281	99,005	5	10
Retail/SME deposits	**430,483**	423,891	394,155	2	9
Wholesale funding & other [3]	**226,408**	191,112	185,758	18	22
Total Available Stable Funding	**765,610**	718,284	678,918	7	13
Net Stable Funding Ratio (NSFR) (%)	**129**	123	120	600 bpts	900 bpts

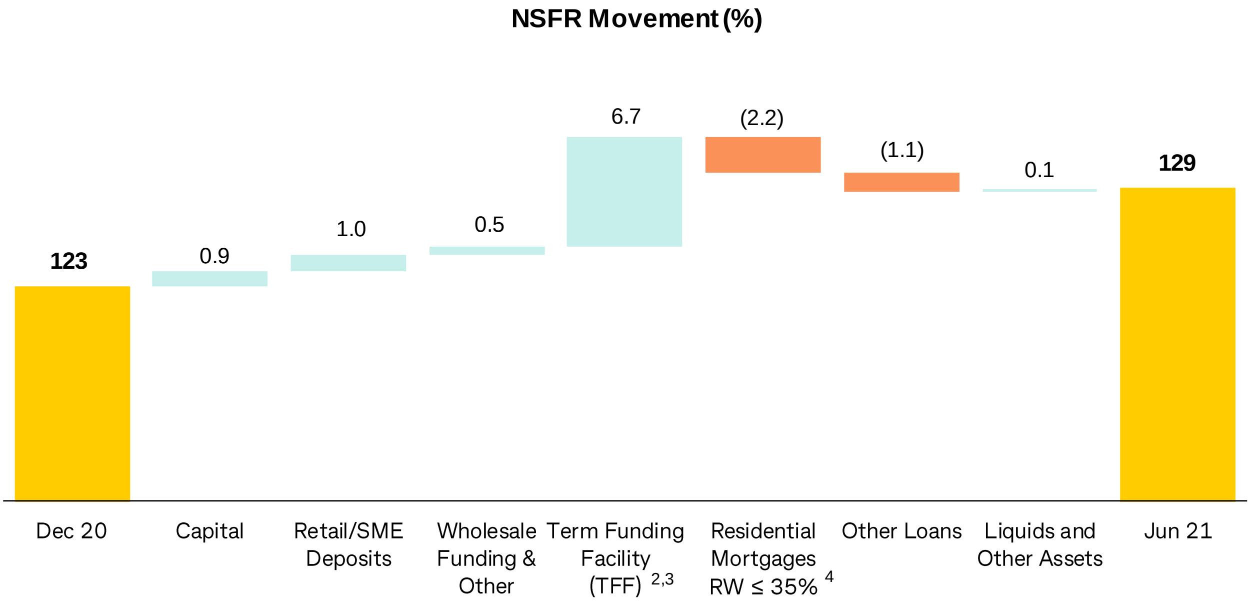
Net Stable Funding Ratio (NSFR)

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 129% at 30 June 2021, an increase of 6% from 123% at 31 December 2020 and an increase of 9% from 120% at 30 June 2020, and well above the regulatory minimum of 100%.

The 2% 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 7% increase in Available Stable Funding (ASF) over the half was driven by the drawing down of the TFF, strong growth in Retail and SME deposits, and an increase in Capital, which includes Additional Tier 1 and Tier 2 issuances.



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[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 received a lower RSF factor. The increase in the Group's TFF allowance in the current half has resulted in a lower RSF factor for these mortgages and therefore lowered the RSF, benefiting NSFR.

[3] 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.

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Divisional Performance

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Divisional Performance

Divisional Summary

	Full Year Ended 30 June 2021					
Divisional Summary	Retail Banking Services[1] $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	Corporate Centre and Other $M	Total $M
Net interest income	9,895	5,193	1,380	2,117	254	**18,839**
Other banking income	1,546	1,647	924	424	466	**5,007**
Total banking income	11,441	6,840	2,304	2,541	720	**23,846**
Funds management income	31	–	–	140	(6)	**165**
Insurance income	146	–	–	–	(1)	**145**
Total operating income	11,618	6,840	2,304	2,681	713	**24,156**
Operating expenses	(4,637)	(2,649)	(983)	(1,071)	(2,019)	**(11,359)**
Loan impairment expense	(134)	(233)	(96)	5	(96)	**(554)**
Net profit before tax	6,847	3,958	1,225	1,615	(1,402)	**12,243**
Corporate tax (expense)/benefit	(2,041)	(1,200)	(303)	(456)	410	**(3,590)**
Net profit after tax from continuing operations - "cash basis"	4,806	2,758	922	1,159	(992)	**8,653**

	Full Year Ended 30 June 2021 vs Full Year Ended 30 June 2020					
	Retail Banking Services[1] %	Business Banking %	Institutional Banking and Markets %	New Zealand %	Corporate Centre and Other %	Total %
Net interest income	2	(2)	–	9	(17)	**1**
Other banking income	(9)	11	3	13	24	**4**
Total banking income	–	1	1	10	6	**2**
Funds management income	(54)	–	–	3	(80)	**(5)**
Insurance income	1	–	–	–	(67)	**3**
Total operating income	–	1	1	10	10	**2**
Operating expenses	(1)	8	(4)	4	11	**3**
Loan impairment expense	(87)	(70)	(73)	large	75	**(78)**
Net profit before tax	16	12	36	44	15	**19**
Corporate tax (expense)/benefit	16	13	13	46	6	**19**
Net profit after tax from continuing operations - "cash basis"	16	11	46	43	19	**20**

[1] Retail Banking Services including Mortgage Broking and General Insurance.

Divisional Performance (continued)

Divisional Summary (Continued)

	Half Year Ended 30 June 2021					
Divisional Summary	**Retail Banking Services [1] $M**	**Business Banking $M**	**Institutional Banking and Markets $M**	**New Zealand $M**	**Corporate Centre and Other $M**	**Total $M**
Net interest income	4,972	2,590	689	1,118	99	**9,468**
Other banking income	783	816	378	224	387	**2,588**
Total banking income	5,755	3,406	1,067	1,342	486	**12,056**
Funds management income	16	–	–	72	(3)	**85**
Insurance income	54	–	–	–	–	**54**
Total operating income	5,825	3,406	1,067	1,414	483	**12,195**
Operating expenses	(2,280)	(1,407)	(498)	(576)	(1,007)	**(5,768)**
Loan impairment expense	174	53	81	32	(12)	**328**
Net profit before tax	3,719	2,052	650	870	(536)	**6,755**
Corporate tax (expense)/benefit	(1,109)	(629)	(151)	(246)	165	**(1,970)**
Net profit after tax from continuing operations - "cash basis"	2,610	1,423	499	624	(371)	**4,785**

	Half Year Ended 30 June 2021 vs Half Year Ended 31 December 2020					
	Retail Banking Services [1] %	**Business Banking %**	**Institutional Banking and Markets %**	**New Zealand %**	**Corporate Centre and Other %**	**Total %**
Net interest income	1	–	–	12	(36)	**1**
Other banking income	3	(2)	(31)	12	large	**7**
Total banking income	1	(1)	(14)	12	large	**2**
Funds management income	7	–	–	6	–	**6**
Insurance income	(41)	–	–	–	large	**(41)**
Total operating income	1	(1)	(14)	12	large	**2**
Operating expenses	(3)	13	3	16	-	**3**
Loan impairment expense	large	large	large	large	(86)	**large**
Net profit before tax	19	8	13	17	(38)	**23**
Corporate tax (expense)/benefit	19	10	(1)	17	(33)	**22**
Net profit after tax from continuing operations - "cash basis"	19	7	18	17	(40)	**24**

[1] Retail Banking Services including Mortgage Broking and General Insurance.

Divisional Performance (continued)

Retail Banking Services

Overview

Retail Banking Services provides simple, convenient and affordable banking and general 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 close to 880 branches and 2,500 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 include 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.

On 3 May 2021, CBA completed the merger of Aussie Home Loans (AHL) with Lendi Pty Ltd (Lendi) resulting in AHL being deconsolidated from the Group. As AHL does not in itself constitute a major line of the Group's business, the financial results of AHL for the 10 months to May 2021 are treated as continuing operations and are included in the account lines of Retail Banking Services' performance. The Group retains approximately 40% shareholding of the combined business, with existing Lendi shareholders holding the remaining 60%. From May 2021, the results of the combined entity have been equity accounted within the Corporate Centre division.

On 21 June 2021, the Group announced it has entered into an agreement to sell its Australian general insurance business (CommInsure General Insurance) to Hollard Group (Hollard). The sale is subject to Australian regulatory approvals, and is expected to be completed in mid-calendar year 2022. As CommInsure General Insurance does not constitute a major line of the Group's business, the financial results of CommInsure General Insurance are treated as continuing operations and included in the account lines of Retail Banking Services' performance.

	Full Year Ended [1]				Half Year Ended			
	Retail Banking (excl. Mortgage Broking and General Insurance)			Total RBS [2]	Retail Banking (excl. Mortgage Broking and General Insurance)			Total RBS [2]
	30 Jun 21 $M	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Dec 20 %	**30 Jun 21 $M**
Net interest income	**9,897**	9,697	2	**9,895**	**4,972**	4,925	1	**4,972**
Other banking income	**1,316**	1,443	(9)	**1,546**	**683**	633	8	**783**
Total banking income	**11,213**	11,140	1	**11,441**	**5,655**	5,558	2	**5,755**
Funds management income	**31**	67	(54)	**31**	**16**	15	7	**16**
Insurance income	**–**	–	–	**146**	**–**	–	–	**54**
Total operating income	**11,244**	11,207	–	**11,618**	**5,671**	5,573	2	**5,825**
Operating expenses	**(4,321)**	(4,335)	–	**(4,637)**	**(2,135)**	(2,186)	(2)	**(2,280)**
Loan impairment (expense)/benefit	**(134)**	(1,034)	(87)	**(134)**	**174**	(308)	large	**174**
Net profit before tax	**6,789**	5,838	16	**6,847**	**3,710**	3,079	20	**3,719**
Corporate tax expense	**(2,024)**	(1,743)	16	**(2,041)**	**(1,106)**	(918)	20	**(1,109)**
Cash net profit after tax	**4,765**	4,095	16	**4,806**	**2,604**	2,161	20	**2,610**
Cash net profit after tax from Mortgage Broking and General Insurance	**41**	47	(13)	**n/a**	**6**	35	(83)	**n/a**
Total Cash net profit after tax	**4,806**	4,142	16	**4,806**	**2,610**	2,196	19	**2,610**

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

2 RBS including Mortgage Broking and General Insurance.

Divisional Performance (continued)

Retail Banking Services (continued)

	Full Year Ended [1]				Half Year Ended			
	Retail Banking (excl. Mortgage Broking and General Insurance)			Total RBS [2]	Retail Banking (excl. Mortgage Broking and General Insurance)			Total RBS [2]
Income analysis	**30 Jun 21 $M**	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Dec 20 %	**30 Jun 21 $M**
Net interest income								
Home loans	**6,465**	5,639	15	**6,463**	**3,286**	3,179	3	**3,286**
Consumer finance & other [3]	**1,248**	1,586	(21)	**1,248**	**610**	638	(4)	**610**
Deposits	**2,184**	2,472	(12)	**2,184**	**1,076**	1,108	(3)	**1,076**
Total net interest income	**9,897**	9,697	2	**9,895**	**4,972**	4,925	1	**4,972**
Other banking income								
Home loans	**275**	275	–	**275**	**140**	135	4	**140**
Consumer finance [4]	**434**	475	(9)	**434**	**216**	218	(1)	**216**
Deposits	**425**	371	15	**425**	**267**	158	69	**267**
Distribution & other [5]	**182**	322	(43)	**412**	**60**	122	(51)	**160**
Total other banking income	**1,316**	1,443	(9)	**1,546**	**683**	633	8	**783**
Total banking income	**11,213**	11,140	1	**11,441**	**5,655**	5,558	2	**5,755**

	As at [1]				
Balance Sheet (excl. Mortgage Broking and General Insurance)	**30 Jun 21 $M**	31 Dec 20 $M	30 Jun 20 $M	Jun 21 vs Dec 20 %	Jun 21 vs Jun 20 %
Home loans [6]	**429,420**	413,689	400,921	4	7
Consumer finance [4]	**11,274**	11,723	12,262	(4)	(8)
Other interest earning assets	**1,914**	1,789	1,739	7	10
Total interest earning assets	**442,608**	427,201	414,922	4	7
Other assets [7]	**6,757**	4,150	4,170	63	62
Total assets	**449,365**	431,351	419,092	4	7
Transaction deposits [8]	**45,545**	44,281	38,882	3	17
Savings deposits [8]	**144,590**	139,472	128,783	4	12
Investment deposits & other	**65,367**	71,326	78,366	(8)	(17)
Total interest bearing deposits	**255,502**	255,079	246,031	–	4
Non-interest bearing transaction deposits	**45,267**	39,863	33,882	14	34
Other non-interest bearing liabilities	**4,032**	3,240	3,327	24	21
Total liabilities	**304,801**	298,182	283,240	2	8

[1] Comparative information has been restated to conform to presentation in the current period.
[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 $47,112 million of mortgage offset balances (31 December 2020: $46,223 million; 30 June 2020: $41,337 million). These balances are required to be grossed up under accounting standards but are netted down for the calculation of customer interest payments.
[7] Increase primarily driven by the revaluation of the Bank's minority interest in Klarna which is recognised through the investment securities revaluation reserve.
[8] Transaction and Savings deposits includes $47,112 million of mortgage offset balances (31 December 2020: $46,223 million; 30 June 2020: $41,337 million).

Divisional Performance (continued)

Retail Banking Services (continued)

Key Financial Metrics **(excl. Mortgage Broking and General Insurance)**	**Full Year Ended** [1]			**Half Year Ended**		
	30 Jun 21	30 Jun 20	Jun 21 vs Jun 20 %	**30 Jun 21**	31 Dec 20	Jun 21 vs Dec 20 %
Performance indicators						
Net interest margin (%)	**2. 60**	2. 63	(3)bpts	**2. 59**	2. 60	(1)bpt
Return on assets (%)	**1. 1**	1. 0	10 bpts	**1. 2**	1. 0	20 bpts
Operating expenses to total operating income (%)	**38. 4**	38. 7	(30)bpts	**37. 6**	39. 2	(160)bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 03**	0. 26	(23)bpts	**(0. 08)**	0. 15	(23)bpts
Other information						
Average interest earning assets ($M) [2]	**381,229**	368,342	3	**386,834**	375,715	3
Risk weighted assets ($M) [3]	**169,084**	167,205	1	**169,084**	165,036	2
90+ days home loan arrears (%)	**0. 68**	0. 63	5 bpts	**0. 68**	0. 59	9 bpts
90+ days consumer finance arrears (%)	**0. 82**	1. 34	(52)bpts	**0. 82**	0. 96	(14)bpts
Number of full-time equivalent staff (FTE)	**14,020**	14,184	(1)	**14,020**	13,918	1

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

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]

Year Ended June 2021 versus June 2020

Retail Banking Services cash net profit after tax for the full year ended 30 June 2021 was $4,765 million, an increase of $670 million or 16% on the prior year. The result reflected flat operating income, flat operating expenses and an 87% decrease in loan impairment expense.

Net Interest Income

Net interest income was $9,897 million, an increase of $200 million or 2% on the prior year. This was driven by a 3% growth in average interest earning assets, partly offset by a 1% decrease in net interest margin.

Net interest margin decreased by 3 basis points on the prior year, reflecting:

- Lower deposit margins due to reduced earnings on transaction and savings balances reflecting decreases in the cash rate (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;
- Lower earnings on equity due to the falling interest rate environment (down 3 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
- Higher home lending margins (up 1 basis point) reflecting repricing (up 20 basis points), partly offset by unfavourable home loan portfolio mix (down 10 basis points) with a shift to lower margin loans (variable to fixed and interest only to principal and interest), and increased competition (down 9 basis points);
- Lower basis risk arising from a decrease in the spread between the three month bank bill swap rate and the three month overnight index swap rate, 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); and
- Lower wholesale funding costs (up 1 basis point).

Other Banking Income

Other banking income was $1,316 million, a decrease of $127 million or 9% on the prior year, reflecting:

- Lower foreign exchange income from international travel restrictions due to COVID-19;
- Lower AIA partnership payments driven by one additional milestone occurring in the prior year; and
- Lower credit card income from reduced international transaction volumes and loyalty redemptions, mainly driven by the impact of COVID-19, as well as lower customer fees; partly offset by
- Higher deposit income from improved domestic spend volumes and higher volume based fees, partly offset by reduced international volumes due to COVID-19.

Funds Management Income

Funds management income was $31 million, a decrease of $36 million or 54% on the prior year. This was driven by the wind-down of the Aligned Advice businesses.

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[1] In order to provide an underlying view of 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.

Retail Banking Services (continued)

Financial Performance and Business Review (continued)

Operating Expenses

Operating expenses were $4,321 million, a decrease of $14 million on the prior year. This was primarily driven by productivity initiatives including workforce and branch optimisation, and lower amortisation, partly offset by increased home loan processing and financial assistance volumes, inflation and higher investment spend.

The number of full-time equivalent staff (FTE) decreased by 164 FTE on the prior year, from 14,184 to 14,020. This was driven by frontline and head office optimisation, partly offset by investment in lenders, private bankers, and increased call centre and financial assistance resourcing.

Investment spend increased on the prior year, driven by productivity and growth initiatives including digital transformation and ongoing enhancements to the home buying digital interface, and risk and compliance initiatives including Program of Action, Privacy and Open Banking.

The operating expenses to operating income ratio was 38.4%, a decrease of 30 basis points on the prior year.

Loan Impairment Expense

Loan impairment expense was $134 million, a decrease of $900 million or 87% on the prior year. This was driven by lower collective provision charges reflecting an improvement in economic conditions and outlook, and reduced consumer finance balances in the current year.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 23 basis points on the prior year to 0.03%.

Home loan 90+ days arrears increased by 5 basis points on the prior year from 0.63% to 0.68%, primarily driven by deferral program exits.

Consumer finance 90+ days arrears decreased by 52 basis points from 1.34% to 0.82%, driven by an improvement in customer origination quality, government support initiatives and improving economic conditions.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $28.5 billion or 7%, above system growth of 5%. Proprietary mix for CBA branded home loans has increased from 58% to 59% of new business flows, with higher new business application volumes and continued focus on credit decisioning turn-around times;
- Consumer finance decrease of $1.0 billion or 8%, broadly in line with system. 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 $20.9 billion or 7% (interest and non-interest bearing). Growth was driven by transaction deposits (up 25% including non-interest bearing balances) primarily in existing customer balances and mortgage offset accounts, and savings deposits (up 12%), partly offset by a decline in investment deposits (down 17%), reflecting increased domestic money supply and higher demand for at-call deposits in the low-rate environment.

Risk Weighted Assets

Risk weighted assets were $169.1 billion, an increase of $1.9 billion or 1% on the prior year.

- Credit risk weighted assets increased $6.3 billion or 5% 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 $2.9 billion or 42%, 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 $7.3 billion or 26%, mainly driven by the 50% reduction in APRA's operational risk regulatory capital add-on.

Retail Banking Services generated $4,246 million of organic capital [1] for the Group in the current year. This contributed 95 basis points to the Group's CET1 ratio.

General Insurance and Mortgage Broking

Cash net profit after tax was $41 million, a decrease of $6 million or 13% on the prior year. This result was driven by the General Insurance business, with higher investment related operating expenses, partly offset by lower claims experience net of reinsurance recoveries, mainly due to fewer weather event related claims in the current period.

Half Year Ended June 2021 versus December 2020

Cash net profit after tax was $2,604 million, an increase of $443 million or 20% on the prior half. The result was driven by a 2% increase in operating income, a 2% decrease in operating expenses and a $482 million decrease in loan impairment expense.

Net Interest Income

Net interest income was $4,972 million, an increase of $47 million or 1% on the prior half. This was driven by a 3% increase in average interest earning assets, partly offset by a 1 basis point decrease in net interest margin, and the impact of three fewer calendar days in the current half.

Net interest margin decreased by 1 basis point on the prior half, reflecting:

- Lower home lending margins (down 5 basis points) due to unfavourable home loan portfolio mix (down 6 basis points) with a shift to lower margin loans (variable to fixed) and increased competition (down 5 basis points), partly offset by repricing (up 6 basis points);
- Lower deposit margins reflecting decreases in the cash rate (down 2 basis points);
- Unfavourable portfolio mix (down 1 basis point) driven by a reduction in higher margin consumer finance balances; and

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[1] Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the allocation of Operational RWA from the Enforceable Undertaking with APRA.

Retail Banking Services (continued)

Financial Performance and Business Review (continued)

- Lower earnings on equity due to the falling interest rate environment (down 1 basis point); partly offset by
- Lower wholesale funding costs (up 8 basis points).

Other Banking Income

Other banking income was $683 million, an increase of $50 million or 8% on the prior half, reflecting:

- Higher deposit income from improved domestic spend volumes and higher volume based fees; partly offset by
- Lower AIA partnership payments received in the current half.

Funds Management Income

Funds management income was $16 million, an increase of $1 million on the prior half.

Operating Expenses

Operating expenses were $2,135 million, a decrease of $51 million or 2% on the prior half. This was driven by lower customer remediation related provision charges and productivity initiatives, partly offset by higher investment spend.

The number of FTE increased by 102 on the prior half, from 13,918 to 14,020 FTE, driven by continued investment in lenders, private bankers and increased call centre resourcing, partly offset by frontline optimisation and decreased financial assistance staff following cessation of customer deferrals.

The operating expenses to total operating income ratio was 37.6%, down 160 basis points compared to the prior half, mainly driven by higher operating income.

Loan Impairment Expense

Loan impairment expense was a benefit of $174 million, a decrease of $482 million on the prior half. This was driven by lower collective provisions reflecting an improvement in the economic outlook.

Loan impairment expense as a percentage of average gross loans and acceptances decreased by 23 basis points on the prior half to -0.08%.

Home loan 90+ days arrears increased by 9 basis points from 0.59% to 0.68%, primarily driven by deferral program exits.

Consumer finance 90+ days arrears decreased by 14 basis points from 0.96% to 0.82% driven by improvement in customer origination quality and economic conditions.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $15.7 billion or 4%, above system growth of 3%. Proprietary mix for CBA branded home loans increased from 56% to 61% of new business flows, with higher new business application volumes, and continued focus on credit decisioning turn-around times;
- Consumer finance decrease of $0.4 billion or 4%, broadly in line with system. The decrease in balances was driven by lower consumer demand for unsecured lending, and seasonality of spend; and
- Total deposit growth of $5.8 billion or 2% (interest and non-interest bearing). Growth was driven by transaction deposits (up 8% including non-interest bearing balances) primarily in existing customer balances and mortgage offset accounts, and savings deposits (up 4%), partly offset by a decline in investment deposits (down 8%) reflecting higher demand for at-call deposits in the low-rate environment.

Risk Weighted Assets

Risk weighted assets increased $4.0 billion or 2% on the prior half.

- Credit risk weighted assets increased $5.5 billion or 4% driven by home loan volume growth, partly offset by a reduction in consumer finance volumes; and
- IRRBB risk weighted assets increased $1.5 billion or 18%; partly offset by
- Operational risk weighted assets decreased $3.0 billion or 13% due to improvements in the operational risk profile from enhanced management of conduct risk and strengthening of the control environment.

Retail Banking Services generated $2,100 million of organic capital [1] for the Group in the current half. This contributed 47 basis points to the Group's CET1 ratio.

General Insurance and Mortgage Broking

Cash net profit after tax was $6 million, a decrease of $29 million or 83% on the prior half. This result was mainly driven by higher home and motor claims experience in the General Insurance business, from increased activities following the easing of COVID-19 restrictions.

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[1] Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the allocation of Operational RWA from the Enforceable Undertaking with APRA.

Divisional Performance (continued)

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.

On 3 May 2021, CBA completed the sale of its subsidiary, Australian Investment Exchange Limited (AUSIEX), to Nomura Research Institute (NRI), resulting in AUSIEX being deconsolidated from the Group. As AUSIEX does not in itself constitute a major line of the Group's business, the financial results of AUSIEX for the 10 months to May 2021 are treated as continuing operations and are included in the account lines of Business Banking's performance.

	Full Year Ended[1]			Half Year Ended[1]		
	30 Jun 21 $M	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Dec 20 %
Net interest income	**5,193**	5,291	(2)	**2,590**	2,603	–
Other banking income	**1,647**	1,489	11	**816**	831	(2)
Total banking income	**6,840**	6,780	1	**3,406**	3,434	(1)
Operating expenses	**(2,649)**	(2,458)	8	**(1,407)**	(1,242)	13
Loan impairment expense	**(233)**	(784)	(70)	**53**	(286)	large
Net profit before tax	**3,958**	3,538	12	**2,052**	1,906	8
Corporate tax expense	**(1,200)**	(1,064)	13	**(629)**	(571)	10
Cash net profit after tax	**2,758**	2,474	11	**1,423**	1,335	7
Income analysis						
Net interest income						
Small Business Banking	**2,408**	2,515	(4)	**1,188**	1,220	(3)
Commercial Banking	**1,421**	1,441	(1)	**714**	707	1
Regional and Agribusiness	**748**	746	–	**377**	371	2
Major Client Group[2]	**429**	387	11	**221**	208	6
CommSec	**187**	202	(7)	**90**	97	(7)
Total net interest income	**5,193**	5,291	(2)	**2,590**	2,603	–
Other banking income						
Small Business Banking	**455**	440	3	**227**	228	–
Commercial Banking	**305**	319	(4)	**151**	154	(2)
Regional and Agribusiness	**137**	126	9	**71**	66	8
Major Client Group[2]	**257**	237	8	**131**	126	4
CommSec	**493**	367	34	**236**	257	(8)
Total other banking income	**1,647**	1,489	11	**816**	831	(2)
Total banking income	**6,840**	6,780	1	**3,406**	3,434	(1)
Income by product						
Business products	**4,000**	4,050	(1)	**1,993**	2,007	(1)
Retail products	**2,263**	2,276	(1)	**1,135**	1,128	1
Equities and margin lending	**577**	454	27	**278**	299	(7)
Total banking income	**6,840**	6,780	1	**3,406**	3,434	(1)

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

[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.

Divisional Performance (continued)

Business Banking (continued)

	As at [1]				
	30 Jun 21	31 Dec 20	30 Jun 20	Jun 21 vs	Jun 21 vs
Balance Sheet	**$M**	$M	$M	Dec 20 %	Jun 20 %
Home loans [2]	**86,749**	84,592	84,752	3	2
Business loans [3]	**103,386**	96,130	92,259	8	12
Margin loans	**2,383**	2,252	2,322	6	3
Consumer finance	**1,763**	1,763	1,916	–	(8)
Total interest earning assets	**194,281**	184,737	181,249	5	7
Non-lending interest earning assets [4]	**73**	141	133	(48)	(45)
Other assets [4]	**971**	801	1,298	21	(25)
Total assets	**195,325**	185,679	182,680	5	7
Transaction deposits [3, 5]	**33,523**	38,620	34,449	(13)	(3)
Savings deposits [5]	**69,262**	67,635	60,554	2	14
Investment deposits and other	**33,139**	32,895	30,987	1	7
Total interest bearing deposits	**135,924**	139,150	125,990	(2)	8
Debt issues and other interest bearing liabilities	**–**	3	25	large	large
Non-interest bearing transaction deposits	**56,386**	42,492	33,198	33	70
Other non-interest bearing liabilities [4]	**1,344**	1,378	1,753	(2)	(23)
Total liabilities	**193,654**	183,023	160,966	6	20

	Full Year Ended [1]			Half Year Ended [1]		
			Jun 21 vs			Jun 21 vs
Key Financial Metrics	**30 Jun 21**	30 Jun 20	Jun 20 %	**30 Jun 21**	31 Dec 20	Dec 20 %
Performance indicators						
Net interest margin (%)	**2. 98**	3. 10	(12)bpts	**2. 95**	3. 02	(7)bpts
Return on assets (%)	**1. 4**	1. 4	–	**1. 5**	1. 4	10 bpts
Operating expenses to total banking income (%)	**38. 7**	36. 3	240 bpts	**41. 3**	36. 2	large
Impairment expense annualised as a % of average GLAAs (%)	**0. 13**	0. 44	(31)bpts	**(0. 06)**	0. 31	(37)bpts
Other information						
Average interest earning assets ($M) [6]	**173,986**	170,526	2	**176,897**	171,123	3
Risk weighted assets ($M)	**140,023**	136,288	3	**140,023**	137,962	1
Troublesome and impaired assets ($M) [7]	**3,947**	4,677	(16)	**3,947**	4,640	(15)
Troublesome and impaired assets as a % of TCE (%) [7]	**2. 98**	3. 89	(91)bpts	**2. 98**	3. 63	(65)bpts
Number of full-time equivalent staff (FTE)	**4,799**	4,410	9	**4,799**	4,640	3

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

[2] Home loans are presented gross of $10,701 million of mortgage offset balances (31 December 2020: $11,257 million; 30 June 2020: $9,260 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 $239 million of Cash Management Pooling Facilities (CMPF) (31 December 2020: $244 million; 30 June 2020: $243 million). Transaction Deposits include $1,259 million of CMPF liabilities (31 December 2020: $1,258 million; 30 June 2020: $1,220 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 3 May 2021, CBA completed the sale of Australian Investment Exchange Limited (AUSIEX) to Nomura Research Institute (NRI). The assets and liabilities held for sale in relation to AUSIEX have therefore been deconsolidated during the six months ended 30 June 2021, resulting in a decrease in Other assets of $71 million from 31 December 2020, and $226 million from 30 June 2020; a decrease in Non-lending interest earning assets of $64 million from 31 December 2020, and $23 million from 30 June 2020; and a decrease in Other non-interest bearing liabilities of $93 million from 31 December 2020, and $188 million from 30 June 2020.

[5] Transaction and Savings deposits include $10,701 million of mortgage offset balances (31 December 2020: $11,257 million; 30 June 2020: $9,260 million).

[6] Average interest earning assets are presented net of mortgage and other offset balances, which reduce customer interest payments. Net average interest earning assets are also used in the calculation of divisional net interest margin.

[7] Commercial troublesome and impaired assets only.

Divisional Performance (continued)

Business Banking (continued)

Financial Performance and Business Review

Year Ended June 2021 versus June 2020

Business Banking cash net profit after tax for the full year ended 30 June 2021 was $2,758 million, an increase of $284 million or 11% on the prior year. The result was driven by a 1% increase in total banking income, an 8% increase in operating expenses and a 70% decrease in loan impairment expense.

Net Interest Income

Net interest income was $5,193 million, a decrease of $98 million or 2% on the prior year. This was driven by a 4% decline in net interest margin, partly offset by a 2% increase in average interest earning assets.

Net interest margin decreased 12 basis points on the prior year, reflecting:

- Lower deposit margins due to reduced earnings on transaction and savings deposits reflecting decreases in the cash rate (down 13 basis points);
- Lower business lending margins reflecting a 125 basis point pricing reduction in loans linked to the cash rate to support our customers in response to COVID-19 (down 10 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 5 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 8 basis points) from strong growth in transaction and savings deposits, partly offset by a decline in higher margin consumer finance balances;
- Lower wholesale funding costs (up 7 basis points); and
- Higher home lending margin (up 2 basis points) reflecting repricing, partly offset by increased competition and unfavourable home loan portfolio mix with a shift to lower margin loans (variable to fixed).

Other Banking Income

Other banking income was $1,647 million, an increase of $158 million or 11% on the prior year, reflecting:

- Higher equities income from increased trading volumes and an increase in active customers; and
- Higher business lending fee income reflecting volume growth.

Operating Expenses

Operating expenses were $2,649 million, an increase of $191 million or 8% on the prior year. This was primarily driven by continued investment in Business Banking product offerings and distribution capabilities, inflation, and higher remediation provisions, partly offset by productivity initiatives.

The number of full-time equivalent staff (FTE) increased by 389 or 9% on the prior year, from 4,410 to 4,799 FTE, primarily driven by investment in frontline business bankers and higher project related FTE.

Investment 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 risk and compliance initiatives.

The operating expenses to total banking income ratio was 38.7%, an increase of 240 basis points on the prior year mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was $233 million, a decrease of $551 million or 70% on the prior year. This was driven by lower collective provision charges reflecting an improvement in the economic conditions and outlook.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 31 basis points to 0.13%.

Troublesome and impaired assets as a percentage of total committed exposure decreased 91 basis points to 2.98% driven by a combination of good quality volume growth and active management of troublesome and impaired assets.

Balance Sheet

Key spot balance sheet movements included:

- Business loan growth of $11.1 billion or 12%, above system growth, reflecting increases primarily across the Property, Agriculture and Health industries, while continuing to support Australian businesses with 12,600 additional loans funded under the Government's SME Guarantee Scheme;
- Home loan growth of $2.0 billion or 2%, below system growth of 5%, reflecting growth in owner occupied home loans, partly offset by lower investor loans; and
- Total deposits growth (interest and non-interest bearing) of $33.1 billion or 21%, above system growth. Growth was driven by higher transaction (up 33%), savings (up 14%) and investment deposits (up 7%), reflecting increased domestic money supply and higher demand for at-call deposits in the low-rate environment.

Risk Weighted Assets

Risk weighted assets were $140.0 billion, an increase of $3.7 billion or 3% on the prior year.

- Credit risk weighted assets increased $4.3 billion or 4% mainly driven by business lending volume growth, partly offset by improved credit quality and methodology changes; and
- IRRBB risk weighted assets increased $1.9 billion or 46%, 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 $2.5 billion or 16%, mainly driven by the 50% reduction in APRA's operational risk regulatory capital add-on.

Business Banking generated $2,060 million of organic capital [1] for the Group in the current year. This contributed 45 basis points to the Group's CET1 ratio.

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[1] Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the allocation of Operational RWA from the Enforceable Undertaking with APRA.

Business Banking (continued)

Financial Performance and Business Review (continued)

Half Year Ended June 2021 versus December 2020

Cash net profit after tax for the half year ended 30 June 2021 was $1,423 million, an increase of $88 million or 7% on the prior half. The result was driven by a 1% decrease in total banking income, a 13% increase in operating expenses and a $339 million decrease in loan impairment expense.

Net Interest Income

Net interest income was $2,590 million, a decrease of $13 million on the prior half. This was driven by a 2% decrease in net interest margin and the impact of three fewer calendar days in the current half, offset by a 3% increase in average interest earning assets.

Net interest margin decreased 7 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 12 basis points);
- Lower business lending margins driven by the continued support to our customers in response to COVID-19 (down 3 basis points);
- Lower earnings on equity due to the falling interest rate environment (down 3 basis points); and
- Lower home lending margins (down 1 basis point) due to increased competition and unfavourable home loan portfolio mix, with a shift to lower margin loans (variable to fixed), partly offset by repricing; partly offset by
- Lower wholesale funding costs (up 11 basis points); and
- Favourable portfolio mix (up 1 basis point) from strong growth in transaction deposits.

Other Banking Income

Other banking income was $816 million, a decrease of $15 million or 2% on the prior half, reflecting:

- Lower equities income due to six fewer trading days in the current half and the divestment of AUSIEX on 3 May 2021; partly offset by
- Higher business lending fee income reflecting volume growth.

Operating Expenses

Operating expenses were $1,407 million, an increase of $165 million or 13% on the prior half. This was primarily driven by the continued investment in Business Banking product offerings and distribution capabilities, and higher remediation provisions.

The number of FTE increased by 159 or 3% on the prior half, from 4,640 to 4,799 FTE, primarily driven by investment in frontline business bankers and higher project related FTE.

The operating expenses to total banking income ratio was 41.3%, an increase of 510 basis points on the prior half, mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was a benefit of $53 million, a decrease of $339 million on the prior half. This was driven by lower collective provisions reflecting an improvement in the economic outlook.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 37 basis points to -0.06%.

Troublesome and impaired assets as a percentage of total committed exposure decreased 65 basis points driven by a combination of good quality volume growth and active management of troublesome and impaired assets.

Balance Sheet

Key spot balance sheet movements included:

- Business loan growth of $7.3 billion or 8%, above system growth, reflecting increases primarily across the Property, Agriculture and Manufacturing industries, while continuing to support Australian businesses with 7,800 additional loans funded under the Government's SME Guarantee Scheme;
- Home loan growth of $2.2 billion or 3%, in line with system, reflecting growth in owner occupied home loans; and
- Total deposits growth (interest and non-interest bearing) of $10.7 billion or 6%, above system growth. Growth was driven by higher transaction (up 11%), savings (up 2%) and investment deposits (up 1%), reflecting increased domestic money supply and higher demand for at-call deposits in the low-rate environment.

Risk Weighted Assets

Risk weighted assets increased $2.1 billion or 1% on the prior half.

- Credit risk weighted assets increased $2.1 billion or 2% mainly driven by business lending volume growth, partly offset by improved credit quality and methodology changes; and
- IRRBB risk weighted assets increased $1.0 billion or 19%; partly offset by
- Operational risk weighted assets decreased $1.0 billion or 7%.

Business Banking generated $1,164 million of organic capital [1] for the Group in the current half. This contributed 25 basis points to the Group's CET1 ratio.

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[1] Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the allocation of Operational RWA from the Enforceable Undertaking with APRA.

Divisional Performance (continued)

Institutional Banking and Markets

Overview

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.

	Full Year Ended [1]			Half Year Ended		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
	$M	$M	Jun 20 %	**$M**	$M	Dec 20 %
Net interest income	**1,380**	1,383	–	**689**	691	–
Other banking income	**924**	893	3	**378**	546	(31)
Total banking income	**2,304**	2,276	1	**1,067**	1,237	(14)
Operating expenses	**(983)**	(1,021)	(4)	**(498)**	(485)	3
Loan impairment (expense)/benefit	**(96)**	(353)	(73)	**81**	(177)	large
Net profit before tax	**1,225**	902	36	**650**	575	13
Corporate tax expense	**(303)**	(269)	13	**(151)**	(152)	(1)
Cash net profit after tax	**922**	633	46	**499**	423	18
Income analysis						
Net interest income						
Institutional Banking	**1,010**	1,135	(11)	**498**	512	(3)
Markets	**370**	248	49	**191**	179	7
Total net interest income	**1,380**	1,383	–	**689**	691	–
Other banking income						
Institutional Banking	**411**	361	14	**223**	188	19
Markets	**513**	532	(4)	**155**	358	(57)
Total other banking income	**924**	893	3	**378**	546	(31)
Total banking income	**2,304**	2,276	1	**1,067**	1,237	(14)
Income by product						
Institutional products	**1,352**	1,431	(6)	**669**	683	(2)
Asset leasing	**69**	65	6	**52**	17	large
Markets (excluding derivative valuation adjustments)	**879**	837	5	**339**	540	(37)
Total banking income excluding derivative valuation adjustments	**2,300**	2,333	(1)	**1,060**	1,240	(15)
Derivative valuation adjustments [2]	**4**	(57)	large	**7**	(3)	large
Total banking income	**2,304**	2,276	1	**1,067**	1,237	(14)

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

[2] Derivative valuation adjustments include both net interest income and other banking income adjustments.

Institutional Banking and Markets (continued)

	As at [1]				
	30 Jun 21	31 Dec 20	30 Jun 20	Jun 21 vs	Jun 21 vs
Balance Sheet	**$M**	$M	$M	Dec 20 %	Jun 20 %
Interest earning lending assets [2]	**85,804**	89,569	96,163	(4)	(11)
Non-lending interest earning assets	**41,949**	52,638	48,014	(20)	(13)
Other assets [3]	**26,097**	34,011	28,815	(23)	(9)
Total assets	**153,850**	176,218	172,992	(13)	(11)
Transaction deposits [2]	**84,492**	77,455	64,943	9	30
Savings deposits	**15,342**	13,328	21,741	15	(29)
Investment deposits	**30,227**	34,524	38,724	(12)	(22)
Certificates of deposit and other	**15,584**	22,250	23,227	(30)	(33)
Total interest bearing deposits	**145,645**	147,557	148,635	(1)	(2)
Due to other financial institutions	**14,057**	6,774	9,618	large	46
Debt issues and other [4]	**2,805**	3,043	3,868	(8)	(27)
Non-interest bearing liabilities [3]	**17,805**	25,620	25,209	(31)	(29)
Total liabilities	**180,312**	182,994	187,330	(1)	(4)

	Full Year Ended [1]			Half Year Ended		
			Jun 21 vs			Jun 21 vs
Key Financial Metrics	**30 Jun 21**	30 Jun 20	Jun 20 %	**30 Jun 21**	31 Dec 20	Dec 20 %
Performance indicators						
Net interest margin (%)	**1. 00**	0. 98	2 bpts	**1. 06**	0. 95	11 bpts
Return on assets (%)	**0. 6**	0. 4	20 bpts	**0. 7**	0. 5	20 bpts
Operating expenses to total banking income (%)	**42. 7**	44. 9	(220)bpts	**46. 7**	39. 2	large
Impairment expense annualised as a % of average GLAAs (%)	**0. 11**	0. 36	(25)bpts	**(0. 19)**	0. 38	(57)bpts
Other information						
Average interest earning assets ($M)	**138,018**	140,547	(2)	**131,209**	144,716	(9)
Risk weighted assets ($M)	**84,928**	93,325	(9)	**84,928**	88,253	(4)
Troublesome and impaired assets ($M)	**890**	1,346	(34)	**890**	1,175	(24)
Total committed exposures rated investment grade (%)	**87. 0**	86. 5	50 bpts	**87. 0**	86. 7	30 bpts
Number of full-time equivalent staff (FTE)	**1,186**	1,169	1	**1,186**	1,174	1

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

[2] Interest earning lending assets include $19,111 million of Cash Management Pooling Facilities (CMPF) and other offset balances (31 December 2020: $24,380 million; 30 June 2020: $26,292 million). Transaction deposits include $44,756 million of CMPF liabilities and other offset balances (31 December 2020: $42,592 million; 30 June 2020: $35,710 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

Year Ended June 2021 versus June 2020

Institutional Banking and Markets cash net profit after tax for the full year ended 30 June 2021 was $922 million, an increase of $289 million or 46% on the prior year. The result was driven by a 1% increase in total banking income, a 4% decrease in operating expenses and a 73% decrease in loan impairment expense.

Net Interest Income

Net interest income was $1,380 million, a decrease of $3 million on the prior year. The result was driven by a 2% decrease in average interest earning assets, offset by a 2% increase in net interest margin.

Net interest margin increased 2 basis points, reflecting:

- Higher Global Markets income from lower funding costs mainly from a fall in short-end AUD interest rates, an increase in commodities margins, and higher capital markets sales income (up 9 basis points); partly offset by
- Lower earnings on equity due to the falling interest rate environment (down 4 basis points); and
- Reduced deposit revenue reflecting decreases in the cash rate (down 3 basis points).

Other Banking Income

Other banking income was $924 million, an increase of $31 million or 3% on the prior year, reflecting:

- Higher Commodities income from precious metal inventory financing;
- Higher Institutional lending commitment and line fees due to lower client utilisation levels; and
- Favourable derivative valuation adjustments; partly offset by
- Lower Global Markets sales performance driven by reduced client demand for hedging activities in the low-rate environment (offset by higher sales income recognised in net interest income).

Operating Expenses

Operating expenses were $983 million, a decrease of $38 million or 4% on the prior year. This was driven by productivity initiatives, lower business travel expenses due to COVID-19 restrictions, and lower amortisation, partly offset by higher investment spend.

The number of full-time equivalent staff (FTE) increased by 17 or 1% on the prior year, from 1,169 to 1,186 FTE. The increase was driven by higher project related FTE, partly offset by productivity initiatives.

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

The operating expenses to total banking income ratio was 42.7%, a decrease of 220 basis points on the prior year, driven by lower operating expenses and higher total banking income.

Loan Impairment Expense

Loan impairment expense was $96 million, a decrease of $257 million or 73% on the prior year. This was driven by lower collective provision charges reflecting an improvement in economic conditions and outlook, and lower individual provisions in the current year, partly offset by increased forward looking adjustments to sectors of stress, including aviation and student accommodation due to ongoing uncertainty as a result of COVID-19.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 25 basis points on the prior year to 0.11%.

Total committed exposures rated as investment grade increased by 50 basis points to 87.0%, due to the reduction of lower quality exposures from Transport & Storage, Mining, Oil and Gas, and Business Services sectors.

Balance Sheet

Key spot balance sheet movements included:

- Lending balance decrease of $10.4 billion or 11%, primarily driven by lower institutional lending due to a continued focus on risk adjusted returns in a highly liquid capital market, and a reduction in pooled facilities;
- Non-lending interest earning assets decrease of $6.1 billion or 13%, driven by a reduction in inventory of high grade bonds, partly offset by higher commodities financing balances in the Global Markets business;
- Other assets and Non-interest bearing liabilities decline of $2.7 billion or 9% and $7.4 billion or 29% respectively, mainly driven by the revaluation of derivative assets and derivative liabilities due to foreign currency and interest rate movements. The decrease in Other assets was partly offset by higher commodities inventory balances. Derivative assets and derivative liabilities are required to be grossed up under accounting standards;
- Total interest bearing deposits decrease of $3.0 billion or 2%, reflecting lower sale and repurchase agreements in the Global Markets business due to lower funding requirements for government securities, and lower balances in savings and investment deposits, offset by higher transaction deposits reflecting higher demand for at-call deposits in the low-rate environment; and
- Due to other financial institutions increase of $4.4 billion or 46%, mainly driven by higher foreign currency term deposits and deposits from other banks.

Risk Weighted Assets

Risk weighted assets were $84.9 billion, a decrease of $8.4 billion or 9% on the prior year.

- Traded market risk weighted assets decreased $4.3 billion or 38%, driven by changes in risk positioning and reduced exposure to changes in Funding Valuation Adjustments;
- Credit risk weighted assets decreased $3.0 billion or 4% driven by foreign currency movements; and
- Operational risk weighted assets decreased $1.9 billion or 22%, mainly driven by the 50% reduction in APRA's operational risk regulatory capital add-on; partly offset by
- IRRBB risk weighted assets increased $0.8 billion or 46%, driven by changes in interest rate risk management positions.

Institutional Banking and Markets generated $1,759 million of organic capital [1] for the Group in the current year. This contributed 39 basis points to the Group's CET1 ratio.

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1. Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the allocation of Operational RWA from the Enforceable Undertaking with APRA.

Institutional Banking and Markets (continued)

Financial Performance and Business Review (continued)

Half Year Ended June 2021 versus December 2020

Cash net profit after tax for the half year ended 30 June 2021 was $499 million, an increase of $76 million or 18% on the prior half. The result was driven by a 14% decrease in total banking income, a 3% increase in operating expenses, and a $258 million decrease in loan impairment expense.

Net Interest Income

Net interest income was $689 million, a decrease of $2 million on the prior half. The result was driven by a 9% decline in average interest earning assets and the impact of three less calendar days in the current half, offset by a 12% increase in net interest margin.

Net interest margin increased 11 basis points, reflecting:

- Higher institutional lending margins with a continued focus on risk adjusted returns (up 8 basis points); and
- Higher Global Markets income from an increase in commodities margins, higher capital markets sales income, and lower funding costs (up 5 basis points); partly offset by
- Reduced deposits revenue reflecting decreases in the cash rate (down 1 basis point); and
- Lower earnings on equity due to the falling interest rate environment (down 1 basis point).

Other Banking Income

Other banking income was $378 million, a decrease of $168 million or 31% on the prior half, reflecting:

- Lower Global Markets trading income from precious metal financing, and the Fixed Income and Rates portfolios; and
- Lower Markets sales performance driven by reduced client demand for hedging activities in the low-rate environment (offset by higher sales income recognised in net interest income); partly offset by
- Higher Structured Asset Finance revenue due to lower impairment of aircraft operating leases in the current half.

Operating Expenses

Operating expenses were $498 million, an increase of $13 million or 3% on the prior half. This was primarily driven by higher investment spend, risk and compliance and IT costs, partly offset by lower amortisation.

The number of FTE increased by 12 or 1% on the prior half, from 1,174 to 1,186 FTE.

The operating expenses to total banking income ratio was 46.7%, an increase from 39.2% in the prior half, mainly driven by lower total banking income.

Loan Impairment Expense

Loan impairment expense was a benefit of $81 million, a decrease of $258 million on the prior half. This was driven by lower collective provisions reflecting an improvement in the economic outlook, and lower individual provisions.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 57 basis points on the prior half to -0.19%.

Total committed exposures rated as investment grade increased by 30 basis points to 87.0%, due to the reduction of lower quality exposures from Transport & Storage, Mining, Oil and Gas, and Business Service sectors.

Balance Sheet

Key spot balance sheet movements included:

- Lending balance decrease of $3.8 billion or 4%, primarily driven by a reduction in pooled facilities;
- Non-lending interest earning assets decrease of $10.7 billion or 20%, driven by lower reverse sale and repurchase agreements in the Global Markets business, and a reduction in inventory of high grade bonds;
- Other assets and Non-interest bearing liabilities decrease of $7.9 billion or 23% and $7.8 billion or 31% respectively, mainly driven by the revaluation of derivative assets and derivative liabilities due to foreign currency and interest rate movements;
- Total interest bearing deposits decrease of $1.9 billion or 1%, reflecting lower sale and repurchase agreements in the Global Markets business due to lower funding requirements for government securities, and lower investment deposits, partly offset by higher transaction and savings deposits reflecting higher demand for at-call deposits in the low-rate environment; and
- Due to other financial institutions increase of $7.3 billion, mainly driven by higher central bank and foreign currency term deposits, and deposits from other banks.

Risk Weighted Assets

Risk weighted assets decreased $3.3 billion or 4% on the prior half.

- Traded market risk weighted assets decreased $2.7 billion or 28%, driven by changes in risk positioning and reduced exposure to changes in Funding Valuation Adjustments; and
- Credit risk weighted assets decreased $1.1 billion or 2%; partly offset by
- IRRBB risk weighted assets increased $0.4 billion or 18%; and
- Operational risk weighted assets increased $0.1 billion or 1%.

Institutional Banking and Markets generated $918 million of organic capital[1] for the Group in the current half. This contributed 20 basis points to the Group's CET1 ratio.

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[1] Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the allocation of Operational RWA from the Enforceable Undertaking with APRA.

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.

	Full Year Ended [1]			Half Year Ended [1]		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
New Zealand (A$M)	**A$M**	A$M	Jun 20 %	**A$M**	A$M	Dec 20 %
Net interest income	**2,117**	1,934	9	**1,118**	999	12
Other banking income [2]	**424**	375	13	**224**	200	12
Total banking income	**2,541**	2,309	10	**1,342**	1,199	12
Funds management income	**140**	136	3	**72**	68	6
Total operating income	**2,681**	2,445	10	**1,414**	1,267	12
Operating expenses	**(1,071)**	(1,032)	4	**(576)**	(495)	16
Loan impairment (expense)/benefit	**5**	(292)	large	**32**	(27)	large
Net profit before tax	**1,615**	1,121	44	**870**	745	17
Corporate tax expense	**(456)**	(312)	46	**(246)**	(210)	17
Cash net profit after tax	**1,159**	809	43	**624**	535	17

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

[2] Other banking income disclosed in AUD includes realised gains or losses associated with the hedging of New Zealand operations earnings.

New Zealand (continued)

New Zealand (NZ$M)	Full Year Ended [1] 30 Jun 21 NZ$M	30 Jun 20 NZ$M	Jun 21 vs Jun 20 %	Half Year Ended [1] 30 Jun 21 NZ$M	31 Dec 20 NZ$M	Jun 21 vs Dec 20 %
Net interest income	**2,273**	2,046	11	**1,202**	1,071	12
Other banking income	**444**	460	(3)	**220**	224	(2)
Total banking income	**2,717**	2,506	8	**1,422**	1,295	10
Funds management income	**150**	143	5	**77**	73	5
Total operating income	**2,867**	2,649	8	**1,499**	1,368	10
Operating expenses	**(1,148)**	(1,089)	5	**(618)**	(530)	17
Loan impairment (expense)/benefit	**5**	(306)	large	**35**	(30)	large
Net profit before tax	**1,724**	1,254	37	**916**	808	13
Corporate tax expense	**(486)**	(352)	38	**(258)**	(228)	13
Cash net profit after tax	**1,238**	902	37	**658**	580	13
Represented by:						
ASB	**1,295**	965	34	**688**	607	13
Other [2]	**(57)**	(63)	(10)	**(30)**	(27)	11
Cash net profit after tax	**1,238**	902	37	**658**	580	13

Key Financial Metrics [3]	Full Year Ended [1] 30 Jun 21	30 Jun 20	Jun 21 vs Jun 20 %	Half Year Ended [1] 30 Jun 21	31 Dec 20	Jun 21 vs Dec 20 %
Performance indicator						
Operating expenses to total operating income (%)	**40. 0**	41. 1	(110)bpts	**41. 2**	38. 7	250 bpts

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

Year Ended June 2021 versus June 2020

New Zealand cash net profit after tax [1] for the full year ended 30 June 2021 was NZD1,238 million, an increase of NZD336 million or 37% on the prior year. The result was driven by an 8% increase in total operating income, a 5% increase in operating expenses and a NZD311 million decrease in loan impairment expense.

New Zealand generated AUD847 million of organic capital [2] for the Group in the current year. This contributed 19 basis points to the Group's CET1 ratio.

Half Year Ended June 2021 versus December 2020

New Zealand cash net profit after tax [1] for the half year ended 30 June 2021 was NZD658 million, an increase of NZD78 million or 13% on the prior half. The result was driven by a 10% increase in total operating income, a 17% increase in operating expenses and a NZD65 million decrease in loan impairment expense.

New Zealand generated AUD452 million of organic capital [2] for the Group in the current half. This contributed 10 basis points to the Group's CET1 ratio.

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[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.

[2] Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (in accordance with APRA requirements) used to generate those profits. Amounts quoted exclude the payment of dividends.

Divisional Performance (continued)

New Zealand (continued)

	Full Year Ended [1]			Half Year Ended [1]		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
ASB (NZ$M)	**NZ$M**	NZ$M	Jun 20 %	**NZ$M**	NZ$M	Dec 20 %
Net interest income	**2,349**	2,130	10	**1,242**	1,107	12
Other banking income	**444**	460	(3)	**220**	224	(2)
Total banking income	**2,793**	2,590	8	**1,462**	1,331	10
Funds management income	**150**	143	5	**77**	73	5
Total operating income	**2,943**	2,733	8	**1,539**	1,404	10
Operating expenses	**(1,148)**	(1,089)	5	**(618)**	(530)	17
Loan impairment (expense)/benefit	**5**	(306)	large	**35**	(30)	large
Net profit before tax	**1,800**	1,338	35	**956**	844	13
Corporate tax expense	**(505)**	(373)	35	**(268)**	(237)	13
Cash net profit after tax	**1,295**	965	34	**688**	607	13

	As at [1]				
	30 Jun 21	31 Dec 20	30 Jun 20	Jun 21 vs	Jun 21 vs
Balance Sheet (NZ$M)	**NZ$M**	NZ$M	NZ$M	Dec 20 %	Jun 20 %
Home loans	**67,679**	64,453	60,336	5	12
Business lending	**19,311**	18,132	17,680	7	9
Rural lending	**11,146**	11,013	10,900	1	2
Other interest earning assets	**1,758**	1,875	1,895	(6)	(7)
Total lending interest earning assets	**99,894**	95,473	90,811	5	10
Non-lending interest earning assets	**11,188**	12,174	12,029	(8)	(7)
Other assets	**1,509**	1,569	2,362	(4)	(36)
Total assets	**112,591**	109,216	105,202	3	7
Interest bearing deposits	**64,555**	63,640	63,874	1	1
Debt issues	**22,936**	21,651	19,408	6	18
Other interest bearing liabilities	**1,491**	1,367	2,251	9	(34)
Total interest bearing liabilities	**88,982**	86,658	85,533	3	4
Non-interest bearing deposits	**11,651**	10,470	8,123	11	43
Other non-interest bearing liabilities	**997**	1,336	1,183	(25)	(16)
Total liabilities	**101,630**	98,464	94,839	3	7

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

Divisional Performance (continued)

New Zealand (continued)

ASB Key Financial Metrics [2]	Full Year Ended [1] 30 Jun 21	Full Year Ended [1] 30 Jun 20	Full Year Ended [1] Jun 21 vs Jun 20 %	Half Year Ended [1] 30 Jun 21	Half Year Ended [1] 31 Dec 20	Half Year Ended [1] Jun 21 vs Dec 20 %
Performance indicators						
Net interest margin (%)	**2. 18**	2. 12	6 bpts	**2. 27**	2. 09	18 bpts
Return on assets (%)	**1. 2**	0. 9	30 bpts	**1. 2**	1. 1	10 bpts
Operating expenses to total operating income (%)	**39. 0**	39. 8	(80)bpts	**40. 2**	37. 7	250 bpts
Impairment expense annualised as a % of average GLAAs (%)	**(0. 01)**	0. 34	(35)bpts	**(0. 07)**	0. 06	(13)bpts
Other information						
Average interest earning assets	**107,522**	100,582	7	**110,183**	104,904	5
Risk weighted assets [3]	**61,252**	59,550	3	**61,252**	61,354	–
Risk weighted assets (A$M) [4]	**53,390**	50,812	5	**53,390**	52,020	3
FUA - average [5]	**–**	16,273	large	**–**	–	–
FUA - spot [6]	**–**	–	–	**–**	–	–
AUM - average	**20,227**	17,886	13	**21,040**	19,469	8
AUM - spot	**21,750**	18,500	18	**21,750**	20,616	6
90+ days home loan arrears (%)	**0. 18**	0. 23	(5)bpts	**0. 18**	0. 18	–
90+ days consumer finance arrears (%)	**0. 36**	1. 10	(74)bpts	**0. 36**	0. 74	(38)bpts
Number of full-time equivalent staff (FTE)	**5,634**	5,122	10	**5,634**	5,381	5

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

[2] Key financial metrics are calculated in New Zealand dollar terms unless otherwise stated.

[3] Risk weighted assets 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 30 June 2021, 31 December 2020 and 30 June 2020 due to the completion of the sale of Aegis on 2 December 2019.

New Zealand (continued)

Financial Performance and Business Review

Year Ended June 2021 versus June 2020

ASB cash net profit after tax for the full year ended 30 June 2021 was NZD1,295 million, an increase of NZD330 million or 34% on the prior year. The result was driven by an 8% increase in total operating income, a 5% increase in operating expenses and a NZD311 million decrease in loan impairment expense.

Net Interest Income

Net interest income was NZD2,349 million, an increase of NZD219 million or 10% on the prior year. The increase was driven by a 7% growth in average interest earning assets and a 3% increase in net interest margin.

Net interest margin increased 6 basis points, reflecting:

- Lower wholesale funding costs (up 15 basis points);
- Favourable portfolio mix (up 8 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 3 basis points); and
- Favourable lending margins (up 4 basis points) reflecting higher business and rural lending margins (up 3 basis points), and home loan margins (up 1 basis point); partly offset by
- Lower deposit margins due to reduced earnings on transactions and savings deposits reflecting the lower cash rate (down 16 basis points); and
- Lower earnings on equity due to the lower interest rate environment (down 5 basis points).

Other Banking Income

Other banking income was NZD444 million, a decrease of NZD16 million or 3% on the prior year, reflecting:

- Lower insurance commission income; and
- Lower Markets income due to lower trading gains.

Funds Management Income

Funds management income was NZD150 million, an increase of NZD7 million or 5% on the prior year, driven by:

- Higher average Assets Under Management (AUM) (up 13%), reflecting net inflows and favourable investment markets; partly offset by
- Lower income due to the completion of the sale of Aegis on 2 December 2019.

Operating Expenses

Operating expenses were NZD1,148 million, an increase of NZD59 million or 5% on the prior year. The increase was primarily driven by higher investment spend, IT costs, and increased staff expenses primarily due to continued investment in risk and compliance, partly offset by lower provision charges relating to historical holiday pay.

The number of FTE increased by 512 or 10% on the prior year from 5,122 to 5,634 FTE primarily driven by growth in project related FTE to support investment spend.

Investment spend continues to focus on regulatory compliance, customer experience initiatives and enhancing technology platforms.

The operating expenses to total operating income ratio for ASB was 39.0%, a decrease of 80 basis points on the prior year mainly driven by growth in total operating income.

Loan Impairment Expense

Loan impairment expense was a benefit of NZD5 million, a decrease of NZD311 million on the prior year. This was driven by lower collective provision charges reflecting an improvement in economic conditions and outlook, and lower individual provisions in the current year.

Home loan 90+ days arrears decreased 5 basis points, from 0.23% to 0.18%, and consumer finance 90+ days arrears decreased 74 basis points, from 1.10% to 0.36%, reflecting an improvement in economic conditions.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD7.3 billion or 12%, in line with system, with continued customer preference for fixed rate loans;
- Business loan growth of NZD1.6 billion or 9%, above system decline of 1%[1], driven by strong growth in commercial property lending;
- Rural loan growth of NZD0.2 billion or 2%, above system decline of 1%[1]; and
- Deposit growth primarily driven by customer deposit growth of NZD3.0 billion or 4%, below system growth of 5%[2], with a higher demand for at-call deposits.

Risk Weighted Assets [3]

Risk weighted assets were NZD61.3 billion, an increase of NZD1.7 billion or 3% on the prior year.

- Operational risk weighted assets increased NZD1.7 billion or 39% following changes in the operational risk profile; and
- Market risk weighted assets increased NZD0.5 billion or 16% primarily due to an increase in NZD interest rate risk; partly offset by
- Credit risk weighted assets decreased NZD0.5 billion or 1% driven by an improvement in credit risk estimates, partly offset by an increase in lending volumes.

ASB generated AUD893 million of organic capital [4] for the Group in the current year. This contributed 20 basis points to the Group's CET1 ratio.

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

[2] RBNZ system data includes institutional deposits which are excluded from the ASB Management Balance Sheet.

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

[4] Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (in accordance with APRA requirements) used to generate those profits. Amounts quoted exclude the payment of dividends.

Divisional Performance (continued)

New Zealand (continued)

Financial Performance and Business Review (continued)

Half Year Ended June 2021 versus December 2020

ASB cash net profit after tax for the half year ended 30 June 2021 was NZD688 million, an increase of NZD81 million or 13% on the prior half. The result was driven by a 10% increase in total operating income, a 17% increase in operating expenses and a NZD65 million decrease in loan impairment expense.

Net Interest Income

Net interest income was NZD1,242 million, an increase of NZD135 million or 12% on the prior half. This result was driven by a 9% increase in net interest margin and a 5% growth in average interest earning assets, partly offset by the impact of three fewer calendar days in the current half.

Net interest margin increased 18 basis points, reflecting:

- Lower wholesale funding costs (up 9 basis points);
- Favourable portfolio mix (up 5 basis points) driven by strong growth in transaction and savings deposits (up 6 basis points), partly offset by unfavourable lending mix driven by proportionally more lower margin home loan balances relative to higher margin consumer and business lending balances (down 1 basis point);
- Favourable lending margins (up 5 basis points) reflecting higher home lending margins (up 3 basis points) and business lending margins (up 2 basis points); and
- Higher income from Treasury activities (up 1 basis point); partly offset by
- Lower earnings on equity due to the lower interest rate environment (down 2 basis points).

Other Banking Income

Other banking income was NZD220 million, a decrease of NZD4 million or 2% on the prior half, reflecting:

- Lower commission and other fee income mainly relating to insurance, equities brokerage and the removal of certain account fees; partly offset by
- Higher Markets income.

Funds Management Income

Funds management income was NZD77 million, an increase of NZD4 million or 5% on the prior half, driven by higher average AUM (up 8%) reflecting favourable investment markets and net inflows.

Operating Expenses

Operating expenses were NZD618 million, an increase of NZD88 million or 17% on the prior half. Excluding the impact of an increase in the provision for historical holiday pay, expenses increased 12%, driven by higher investment spend, increased marketing costs and staff expenses.

The number of FTE increased by 253 or 5% on the prior half from 5,381 to 5,634 FTE, primarily driven by project related FTE to support investment spend.

The operating expenses to total operating income ratio was 40.2%, an increase of 250 basis points on the prior half mainly driven by higher operating expenses.

Loan Impairment Expense

Loan impairment expense was a benefit of NZD35 million, a decrease of NZD65 million on the prior half. This was primarily driven by lower collective provisions reflecting an improvement in the economic outlook.

Home loan 90+ days arrears were flat at 0.18%, and consumer finance 90+ days arrears decreased 38 basis points, from 0.74% to 0.36% due to collection and write-off activity returning the portfolio to pre-COVID-19 levels.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD3.2 billion or 5%, below system growth of 6%, with continued customer preference for fixed rate loans;
- Business loan growth of NZD1.2 billion or 7%, above system growth of 2%, driven by strong growth in commercial property lending;
- Rural loan growth of NZD0.1 billion or 1%, above flat system growth; and
- Deposit growth primarily driven by customer deposit growth of NZD0.7 billion or 1%, above flat system growth [1], with a higher demand for at-call deposits.

Risk Weighted Assets [2]

Risk weighted assets decreased NZD0.1 billion on the prior half.

- Credit risk weighted assets decreased NZD1.1 billion or 2% driven by an improvement in credit risk estimates, partly offset by an increase in lending volumes; partly offset by
- Operational risk weighted assets increased NZD0.7 billion or 13% following changes in the operational risk profile; and
- Market risk weighted assets increased NZD0.3 billion or 9% primarily due to an increase in NZD interest rate risk.

ASB generated AUD466 million of organic capital [3] for the Group in the current half. This contributed 10 basis points to the Group's CET1 ratio.

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[1] RBNZ system data includes institutional deposits which are excluded from the ASB Management Balance Sheet.

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

[3] Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (in accordance with APRA requirements) used to generate those profits. Amounts quoted exclude the payment of dividends.

Divisional Performance (continued)

Corporate Centre and Other

Overview

Corporate Centre and Other include the results of the Group's centrally held minority investments and subsidiaries, Group-wide remediation costs, investment spend including enterprise-wide infrastructure and other strategic projects, employee entitlements, and unallocated revenue and expenses relating to the Bank's support functions including Treasury, Investor Relations, Group Strategy, Legal and Corporate Affairs and Bank-wide elimination entries arising on consolidation.

Centrally held minority investments and subsidiaries include the Group's offshore minority investments in China (Bank of Hangzhou and Qilu Bank), Vietnam (Vietnam International Bank), as well as its Indonesian banking subsidiary (PT Bank Commonwealth). They also include domestically held minority investments in Lendi Group [1] as well as the strategic investments in x15ventures.

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.

Corporate Centre and Other (including elimination)	**Full Year Ended [2]**			**Half Year Ended [2]**		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
	$M	$M	Jun 20 %	**$M**	$M	Dec 20 %
Net interest income	**254**	306	(17)	**99**	155	(36)
Other banking income	**466**	375	24	**387**	79	large
Total banking income	**720**	681	6	**486**	234	large
Funds management income	**(6)**	(30)	(80)	**(3)**	(3)	–
Insurance income	**(1)**	(3)	(67)	**–**	(1)	large
Total operating income	**713**	648	10	**483**	230	large
Operating expenses	**(2,019)**	(1,812)	11	**(1,007)**	(1,012)	–
Loan impairment expense	**(96)**	(55)	75	**(12)**	(84)	(86)
Net loss before tax	**(1,402)**	(1,219)	15	**(536)**	(866)	(38)
Corporate tax benefit	**410**	386	6	**165**	245	(33)
Cash net loss after tax from continuing operations	**(992)**	(833)	19	**(371)**	(621)	(40)
Cash net profit after tax from discontinued operations [3]	**14**	16	(13)	**8**	6	33
Cash net loss after tax	**(978)**	(817)	20	**(363)**	(615)	(41)

[1] Represents the Group's 42% holding in the business after the completion of the merger between Aussie Home Loans and Lendi Pty Ltd.

[2] Comparative information has been restated to conform to presentation in the current period.

[3] Discontinued operations includes BoCommLife, PT Commonwealth Life, and unallocated revenue and expenses from the transaction services agreements, and eliminations associated with our discontinued businesses.

Corporate Centre and Other (continued)

Financial Performance and Business Review

Year Ended June 2021 versus June 2020

Corporate Centre and Other cash net loss after tax for the full year ended 30 June 2021 was $978 million, an increase of $161 million or 20% on the prior year. Excluding the contribution from discontinued operations, cash net loss after tax was $992 million, an increase of $159 million or 19% on the prior year. The result was primarily driven by a 10% increase in total operating income, an 11% increase in operating expenses and a 75% increase in loan impairment expense.

Net Interest Income

Net interest income was $254 million, a decrease of $52 million or 17% on the prior year. This was driven by lower earnings on equity in the low-rate environment, and a reduction in lending balances in PTBC reflecting active portfolio management, the impacts of COVID-19, and unfavourable FX.

Other Banking Income

Other banking income was $466 million, an increase of $91 million or 24% on the prior year. This was mainly driven by higher net profits from minority investments including a reversal of historical impairment, partly offset by the upfront costs related to the Group's term debt buyback program.

Operating Expenses

Operating expenses were $2,019 million, an increase of $207 million or 11% on the prior year. This was primarily driven by higher centrally held investment spend including the Group's strategic investments in x15ventures, technology, simplification and productivity initiatives, increased occupancy expenses from concurrent rent expenses in the current year as we vacate commercial office space and consolidate our property footprint, and higher Aligned Advice related remediation costs.

Loan Impairment Expense

Loan impairment expense increased $41 million on the prior year to $96 million. This was due to higher collective provision charges in PTBC, reflecting deterioration in credit quality and economic outlook in Indonesia due to COVID-19.

Risk Weighted Assets

Risk weighted assets were $3.2 billion, a decrease of $3.9 billion or 55% on the prior year.

- IRRBB risk weighted assets decreased $2.6 billion or 51%, driven by changes in interest rate risk management positions; and
- Credit risk weighted assets decreased $1.3 billion or 14%.

Corporate Centre consumed $5,044 million of organic capital [1] for the Group in the current year, largely due to the payment of dividends. This impacted the Group's CET1 ratio by 112 basis points.

Half Year Ended June 2021 versus December 2020

Cash net loss after tax for the half year ended 30 June 2021 was $363 million, a decrease of $252 million or 41% on the prior half. Excluding the contribution from discontinued operations, cash net loss after tax was $371 million, a decrease of $250 million or 40% on the prior half. The result was primarily driven by an increase of $253 million in total operating income, flat operating expenses and an 86% decrease in loan impairment expense.

Net Interest Income

Net interest income was $99 million, a decrease of $56 million or 36% on the prior half. This was mainly driven by reduced Group Treasury earnings on equity and liquids portfolio due to the low-rate environment and lower income from interest rate risk management activities.

Other Banking Income

Other banking income was $387 million, an increase of $308 million on the prior half. This was primarily driven by higher net profits from minority investments including a reversal of historical impairment, partly offset by higher upfront costs related to the Group's term debt buyback program.

Operating Expenses

Operating expenses were $1,007 million, a decrease of $5 million or flat on the prior half. This was primarily driven by a reduction in long service leave provisions due to an increased discount rate from rising long-term bond rates.

Loan Impairment Expense

Loan impairment expense was $12 million, a decrease of $72 million on the prior half. This was due to the release of the central management overlay taken in the prior half, partly offset by higher collective provision charges in PTBC, reflecting deterioration in credit quality and the economic outlook in Indonesia due to COVID-19.

Risk Weighted Assets

Risk weighted assets decreased $6.9 billion or 68% on the prior half.

- IRRBB risk weighted assets decreased $5.6 billion, driven by changes in interest rate risk management positions; and
- Credit risk weighted assets decreased $1.3 billion or 14%.

Corporate Centre consumed $2,604 million of organic capital [1] for the Group in the current half, largely due to the payment of dividends. This impacted the Group's CET1 ratio by 57 basis points.

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[1] Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted include discontinued operations and exclude the allocation of Operational RWA from the Enforceable Undertaking with APRA.

Divisional Performance (continued)

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 a 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. The divestment of CommInsure Life was completed via a statutory asset transfer to AIA on 1 April 2021. CommInsure Life is classified as discontinued operations.

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.

Discontinued Operations

	Full Year Ended [2]			**Half Year Ended**		
	30 Jun 21 $M	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Dec 20 %
Funds management income	**707**	884	(20)	**363**	344	6
Insurance income	**–**	30	large	**–**	–	–
Total operating income	**707**	914	(23)	**363**	344	6
Operating expenses	**(516)**	(674)	(23)	**(305)**	(211)	45
Net profit before tax	**191**	240	(20)	**58**	133	(56)
Corporate tax expense	**(57)**	(74)	(23)	**(17)**	(40)	(58)
Cash net profit after tax from discontinued operations	**134**	166	(19)	**41**	93	(56)
Colonial First State and other	**134**	160	(16)	**41**	93	(56)
CFS Global Asset Management	**–**	24	large	**–**	–	–
Life Insurance Business [1]	**–**	(18)	large	**–**	–	–
Cash net profit/(loss) after tax from discontinued operations	**134**	166	(19)	**41**	93	(56)

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 presentation in the current period.

Divisional Performance (continued)

Wealth Management (Discontinued Operations) (continued)

	Full Year Ended[1]								
	Colonial First State and other			CFS Global Asset Management[2]			Life Insurance Business[3]		
	30 Jun 21 $M	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	30 Jun 20 $M	Jun 21 vs Jun 20 %
Funds management income	**707**	773	(9)	**–**	83	large	**–**	28	large
Insurance income	**–**	–	–	**–**	–	–	**–**	30	large
Total operating income	**707**	773	(9)	**–**	83	large	**–**	58	large
Operating expenses	**(516)**	(538)	(4)	**–**	(52)	large	**–**	(84)	large
Net profit before tax	**191**	235	(19)	**–**	31	large	**–**	(26)	large
Corporate tax expense	**(57)**	(75)	(24)	**–**	(7)	large	**–**	8	large
Cash net profit/(loss) after tax	**134**	160	(16)	**–**	24	large	**–**	(18)	large

	Full Year Ended[1]			Half Year Ended[1]		
Key Financial Metrics	**30 Jun 21**	30 Jun 20	Jun 21 vs Jun 20 %	**30 Jun 21**	31 Dec 20	Jun 21 vs Dec 20 %
Performance Indicators						
Operating expenses to total operating income (%)	**73. 0**	73. 7	(70)bpts	**84. 0**	61. 3	large
FUA - average ($M)[4]	**153,995**	154,997	(1)	**158,679**	149,491	6
FUA - spot ($M)[4]	**164,537**	147,621	11	**164,537**	155,248	6
Number of full-time equivalent staff (FTE)[5]	**1,322**	1,375	(4)	**1,322**	1,330	(1)

	Full Year Ended								
Funds Under Administration (FUA)	30 Jun 20 $M	Inflows $M	Outflows $M	Net Flows $M	Other[6] $M	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Jun 20 %	Jun 21 vs Dec 20 %
FirstChoice	90,771	15,346	(15,924)	(578)	15,810	**106,003**	97,460	17	9
CFSWrap	31,408	5,162	(8,357)	(3,195)	4,764	**32,977**	32,985	5	–
CFS Non-Platform	14,909	6,715	(10,479)	(3,764)	2,873	**14,018**	13,803	(6)	2
Other[7]	10,533	1,506	(1,505)	1	1,005	**11,539**	11,000	10	5
Total	147,621	28,729	(36,265)	(7,536)	24,452	**164,537**	155,248	11	6

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

[2] CFS Global Asset Management results are for the period up until 2 August 2019.

[3] Life Insurance Business results are for the period up until 1 November 2019.

[4] Average and spot FUA includes Colonial First State (including Commonwealth Bank Group Super) and excludes CommInsure Life Investments.

[5] FTE represents Colonial First State FTE and does not include any support unit FTE.

[6] Includes investment income.

[7] Other includes Commonwealth Bank Group Super.

Divisional Performance (continued)

Wealth Management (Discontinued Operations) (continued)

Financial Performance and Business Review (Discontinued Operations)

Full Year Ended June 2021 versus June 2020

Wealth Management cash net profit after tax for the full year ended 30 June 2021 was $134 million, a decrease of $32 million or 19% on the prior year. This reflects a $26 million decrease in cash net profit after tax from CFS and other, and the impact from the deconsolidation of CFSGAM (2 August 2019) and the Life Business (1 November 2019) in the prior year.

CFS and other cash net profit after tax for the full year ended 30 June 2021 was $134 million, a decrease of $26 million or 16% on the prior year. The result was driven by a 9% decrease in funds management income, partly offset by a 4% decrease in operating expenses. Funds management income decreased $66 million mainly due to platform pricing changes in response to the regulatory and market environment, and a decline in average FUA, driven by net outflows primarily driven by product offering simplification to align with the longer term strategy, partly offset by improved market performance. Operating expenses decreased $22 million mainly due to a decrease in remediation provision charges in the current year.

Half Year Ended June 2021 versus December 2020

Wealth Management cash net profit after tax for the half year ended 30 June 2021 was $41 million, a decrease of $52 million or 56% on the prior half. This reflects a $52 million decrease in cash net profit after tax from CFS and other.

The result was driven by a 45% increase in operating expenses, partly offset by a 6% increase in funds management income. Operating expenses increased $94 million due to higher remediation provision charges in the current half. Funds management income increased $19 million due to higher average FUA, partly offset by platform pricing changes in response to the regulatory and market environment. Average FUA increased 6% on the prior half, reflecting improved market performance, partly offset by net outflows primarily driven by product offering simplification to align with the longer term strategy.

There was no impact from the deconsolidation of CFSGAM or the Life Business in the current or prior half.

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Consolidated Income Statement

For the year ended 30 June 2021

		Full Year Ended [1]		Half Year Ended [1]	
		30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
	Appendix	**$M**	$M	**$M**	$M
Interest income:					
Effective interest income	1.1	**24,448**	29,726	**11,806**	12,642
Other interest income	1.1	**210**	436	**66**	144
Interest expense	1.1	**(5,819)**	(11,552)	**(2,404)**	(3,415)
Net interest income		**18,839**	18,610	**9,468**	9,371
Other banking income [2]	1.5	**5,265**	5,002	**2,911**	2,354
Net banking operating income		**24,104**	23,612	**12,379**	11,725
Net funds management operating income		**165**	173	**85**	80
Net insurance operating income		**145**	141	**54**	91
Total net operating income before operating expenses and impairment		**24,414**	23,926	**12,518**	11,896
Operating expenses	1.6	**(11,485)**	(11,030)	**(5,833)**	(5,652)
Loan impairment expense	2.2	**(554)**	(2,518)	**328**	(882)
Net profit before income tax		**12,375**	10,378	**7,013**	5,362
Income tax expense	1.7	**(3,532)**	(2,990)	**(1,929)**	(1,603)
Net profit after income tax from continuing operations		**8,843**	7,388	**5,084**	3,759
Non-controlling interests in net profit after income tax from continuing operations		**–**	–	**–**	–
Net profit attributable to equity holders of the Bank from continuing operations		**8,843**	7,388	**5,084**	3,759
Net profit after income tax from discontinued operations		**1,338**	2,207	**228**	1,110
Non-controlling interests in net profit after income tax from discontinued operations		**–**	(3)	**–**	–
Net profit attributable to equity holders of the Bank		**10,181**	9,592	**5,312**	4,869

The above Consolidated Income Statement should be read in conjunction with the accompanying appendices.

Earnings per share for profit attributable to equity holders of the parent entity during the year:

	Full Year Ended [1]		Half Year Ended [1]	
	30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
	Cents per Share		**Cents per Share**	
Earnings per share from continuing operations:				
Basic	**499. 2**	417. 8	**286. 8**	212. 3
Diluted	**470. 6**	404. 8	**272. 7**	201. 4
Earnings per share:				
Basic	**574. 8**	542. 4	**299. 7**	275. 0
Diluted	**539. 7**	521. 0	**284. 7**	258. 9

[1] Comparative information has been restated to reflect the change in accounting policy and the prior period restatements. For further details refer to Note 1.1 in the 2021 Annual Report.

[2] Other banking income is presented net of directly associated depreciation and impairment charges.

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Full Year Ended		Half Year Ended	
	30 Jun 21	30 Jun 20 [1]	**30 Jun 21**	31 Dec 20 [1]
	$M	$M	**$M**	$M
Net profit after income tax for the period from continuing operations	**8,843**	7,388	**5,084**	3,759
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit/(loss):				
Foreign currency translation reserve net of tax	**(212)**	(186)	**84**	(296)
Losses/(gains) on cash flow hedging instruments net of tax	**(1,046)**	726	**(527)**	(519)
Gains/(losses) on debt investment securities at fair value through other comprehensive income net of tax	**522**	(199)	**59**	463
Total of items that may be reclassified	**(736)**	341	**(384)**	(352)
Items that will not be reclassified to profit/(loss):				
Actuarial (losses)/gains from defined benefit superannuation plans net of tax	**(95)**	116	**177**	(272)
Gains on equity investment securities at fair value through other comprehensive income net of tax	**1,521**	34	**1,295**	226
Revaluation of properties net of tax	**18**	19	**17**	1
Total of items that will not be reclassified	**1,444**	169	**1,489**	(45)
Other comprehensive income net of income tax from continuing operations	**708**	510	**1,105**	(397)
Total comprehensive income for the period from continuing operations	**9,551**	7,898	**6,189**	3,362
Net profit after income tax for the period from discontinued operations	**1,338**	2,207	**228**	1,110
Other comprehensive income/(expense) for the period from discontinued operations net of income tax [2]	**33**	(56)	**–**	33
Total comprehensive income for the period	**10,922**	10,049	**6,417**	4,505
Total comprehensive income for the period is attributable to:				
Equity holders of the Bank	**10,922**	10,046	**6,417**	4,505
Non-controlling interests	**–**	3	**–**	–
Total comprehensive income net of tax	**10,922**	10,049	**6,417**	4,505

[1] Comparative information has been restated to reflect the change in accounting policy and prior period restatement detailed in Note 1.1 of the 2021 Annual Report.

[2] Current year includes $2 million loss on foreign currency translation net of tax (30 June 2020: $48 million loss) and $35 million gain on revaluation of debt investment securities measured at fair value through other comprehensive income net of tax (30 June 2020: $8 million loss).

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying appendices.

	Full Year Ended		Half Year Ended	
	30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
		Cents per Share		**Cents per Share**
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	**350**	298	**200**	150

Financial Statements

Consolidated Balance Sheet

As at 30 June 2021

		As at [1, 2]		
		30 Jun 21	31 Dec 20	30 Jun 20
Assets	Appendix	**$M**	$M	$M
Cash and liquid assets		**100,041**	63,019	44,165
Receivables from financial institutions		**5,085**	7,280	8,547
Assets at fair value through Income Statement		**36,970**	50,702	46,545
Derivative assets		**21,449**	32,398	30,285
Investment securities:				
At amortised cost		**4,278**	4,391	5,173
At fair value through other comprehensive income		**86,560**	89,672	79,549
Assets held for sale		**1,201**	1,617	1,770
Loans, bills discounted and other receivables	2.1	**811,356**	786,943	772,980
Property, plant and equipment		**5,284**	5,468	5,602
Investments in associates and joint ventures		**3,941**	2,865	3,034
Intangible assets	6.1	**6,942**	6,880	6,891
Deferred tax assets		**2,067**	2,557	2,091
Other assets		**6,788**	5,428	8,839
Total assets		**1,091,962**	1,059,220	1,015,471
Liabilities				
Deposits and other public borrowings	3.1	**766,381**	747,980	703,432
Payables to financial institutions		**19,059**	11,847	14,929
Liabilities at fair value through Income Statement		**8,381**	7,255	4,397
Derivative liabilities		**18,486**	33,482	31,347
Current tax liabilities		**135**	105	795
Deferred tax liabilities		**228**	224	30
Liabilities held for sale		**405**	655	594
Provisions		**3,733**	3,607	3,461
Term funding from central banks		**51,856**	19,146	1,500
Debt issues		**103,003**	122,548	142,503
Bills payable and other liabilities		**12,217**	9,843	13,188
		983,884	956,692	916,176
Loan capital		**29,360**	27,608	27,357
Total liabilities		**1,013,244**	984,300	943,533
Net assets		**78,718**	74,920	71,938
Shareholders' Equity				
Ordinary share capital	4.2	**38,420**	38,417	38,131
Reserves	4.2	**3,249**	2,287	2,666
Retained profits	4.2	**37,044**	34,211	31,136
Shareholders' Equity attributable to equity holders of the Bank		**78,713**	74,915	71,933
Non-controlling interests	4.2	**5**	5	5
Total Shareholders' Equity		**78,718**	74,920	71,938

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[1] Comparative information has been restated to conform to presentation in the current period and to reflect the change in accounting policy and the prior period restatements. For further details refer to Note 1.1 in the 2021 Annual Report.

[2] Current year balances have been impacted by the completed divestment of Aussie Home Loans, AUSIEX and BoCommLife. For further details refer to Note 11.3 in the 2021 Annual Report.

The above Consolidated Balance Sheet should be read in conjunction with the accompanying appendices.

Financial Statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Ordinary share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at December 2019	38,126	1,910	31,066	**71,102**	51	**71,153**
Prior period restatement	–	–	(54)	**(54)**	–	**(54)**
Restated opening balance	38,126	1,910	31,012	**71,048**	51	**71,099**
Net profit after income tax from continuing operations [1]	–	–	2,972	**2,972**	–	**2,972**
Net profit after income tax from discontinued operations [1]	–	–	480	**480**	–	**480**
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	3,662	**4,378**	–	**4,378**
Transactions with equity holders in their capacity as equity holders: [2]						
Dividends paid on ordinary shares	–	–	(3,540)	**(3,540)**	–	**(3,540)**
Dividend reinvestment plan (net of issue costs)	–	–	–	**–**	–	**–**
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	31,136	**71,933**	5	**71,938**
Net profit after income tax from continuing operations [1]	–	–	3,759	**3,759**	–	**3,759**
Net profit after income tax from discontinued operations [1]	–	–	1,110	**1,110**	–	**1,110**
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)	4,597	**4,505**	–	**4,505**
Transactions with equity holders in their capacity as equity holders: [2]						
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 [1]	(57)	–	–	**(57)**	–	**(57)**
Sale and vesting of treasury shares [1]	79	–	–	**79**	–	**79**
Other changes [3]	–	(213)	213	**–**	–	**–**
As at 31 December 2020	38,417	2,287	34,211	**74,915**	5	**74,920**
Net profit after income tax from continuing operations	–	–	5,084	**5,084**	–	**5,084**
Net profit after income tax from discontinued operations	–	–	228	**228**	–	**228**
Net other comprehensive income from continuing operations	–	928	177	**1,105**	–	**1,105**
Net other comprehensive income from discontinued operations	–	–	–	**–**	–	**–**
Total comprehensive income for the period	–	928	5,489	**6,417**	–	**6,417**
Transactions with equity holders in their capacity as equity holders: [2]						
Dividends paid on ordinary shares	–	–	(2,661)	**(2,661)**	–	**(2,661)**
Dividend reinvestment plan (net of issue costs)	–	–	–	**–**	–	**–**
Share-based payments	–	39	–	**39**	–	**39**
Purchase of treasury shares	(2)	–	–	**(2)**	–	**(2)**
Sale and vesting of treasury shares	5	–	–	**5**	–	**5**
Other changes	–	(5)	5	**–**	–	**–**
As at 30 June 2021	38,420	3,249	37,044	**78,713**	5	**78,718**

[1] Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 1.1 in the 2021 Annual Report.

[2] Current year and prior year include discontinued operations.

[3] Current year includes $207 million reclassification from foreign currency translation reserve to retained profits related to a historical Group structure where the Group no longer holds exposure to foreign exchange risk.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying appendices.

Financial Statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Full Year Ended [1, 2, 3]	
	30 Jun 21	30 Jun 20
	$M	$M
Cash flows from operating activities		
Interest received	**25,203**	30,920
Interest paid [4]	**(6,424)**	(11,932)
Other operating income received	**4,775**	5,237
Expenses paid [4]	**(9,886)**	(9,802)
Income taxes paid	**(3,672)**	(3,171)
Insurance business:		
Investment income	**–**	198
Premiums received [5]	**695**	1,135
Policy payments and commission expense [5]	**(550)**	(2,087)
Cash flows from operating activities before changes in operating assets and liabilities	**10,141**	10,498
Changes in operating assets and liabilities arising from cash flow movements		
Movement in investment securities:		
Purchases	**(37,045)**	(42,088)
Proceeds	**29,528**	44,358
Net increase in assets at fair value through Income Statement (excluding insurance)	**(911)**	(4,009)
Net increase in loans, bills discounted and other receivables	**(39,858)**	(20,439)
Net decrease/(increase) in receivables from financial institutions	**3,567**	(584)
Net decrease/(increase) in securities purchased under agreements to resell	**4,272**	(4,126)
Insurance business:		
Purchase of insurance assets at fair value through Income Statement	**–**	(903)
Proceeds from sales and maturities of insurance assets at fair value through Income Statement	**–**	1,415
Net decrease/(increase) in other assets	**185**	(1,560)
Net increase in deposits and other public borrowings	**61,189**	69,267
Net increase/(decrease) in payables to financial institutions	**4,041**	(8,470)
Net increase/(decrease) in securities sold under agreements to repurchase	**2,441**	(2,222)
Net increase/(decrease) in other liabilities at fair value through Income Statement	**4,100**	(4,312)
Net (decrease)/increase in other liabilities	**(338)**	482
Changes in operating assets and liabilities arising from cash flow movements	**31,171**	26,809
Net cash provided by operating activities	**41,312**	37,307
Cash flows from investing activities		
Cash outflows from acquisitions of controlled entities (net of cash acquired)	**(61)**	–
Cash inflows from disposals of associates and joint ventures	**892**	–
Cash outflows from acquisitions of associates and joint ventures	**(60)**	(18)
Cash inflows from disposal of controlled entities (net of cash disposed of)	**682**	5,011
Dividends received	**128**	95
Proceeds from sales of property, plant and equipment	**57**	200
Purchases of property, plant and equipment	**(235)**	(910)
Purchases of intangible assets	**(532)**	(629)
Net cash provided by investing activities	**871**	3,749

[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] Comparative information has been restated to conform to presentation in the current year and to reflect the change in accounting policy and the prior period restatements. For further details refer to Note 1.1 in the 2021 Annual Report.

[3] Includes discontinued operations.

[4] Interest and expenses paid for the years ended 30 June 2021 and 2020 include cash outflows due to lease payments, under AASB 16 *Leases*, which was implemented on 1 July 2019.

[5] Represents gross premiums and policy payments before splitting between policy holders and shareholders.

Financial Statements

Consolidated Statement of Cash Flows (continued)

For the year ended 30 June 2021

	Full Year Ended[1,2]	
	30 Jun 21	30 Jun 20
	$M	$M
Cash flows from financing activities		
Dividends paid (excluding Dividend Reinvestment Plan)	**(4,132)**	(7,629)
Proceeds from issuance of debt securities	**17,802**	37,630
Redemption of debt securities	**(49,558)**	(64,661)
Proceeds from drawing on term funding from central banks	**50,357**	1,500
Purchases of treasury shares	**(71)**	(65)
Sales of treasury shares	**5**	93
Proceeds from issuance of loan capital	**6,791**	5,849
Redemption of loan capital	**(2,608)**	(2,871)
Payments for the principal portion of lease liabilities	**(428)**	(463)
Other	**153**	(115)
Net cash provided by/(used in) financing activities	**18,311**	(30,732)
Net increase in cash and cash equivalents	**60,494**	10,324
Effect of foreign exchange rates on cash and cash equivalents	**(465)**	17
Cash and cash equivalents at beginning of year	**27,351**	17,010
Cash and cash equivalents at end of year	**87,380**	27,351

[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.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying appendices.

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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 Income (continuing operations basis)

	Full Year Ended			Half Year Ended [1]		
	30 Jun 21 $M	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Dec 20 %
Interest Income						
Effective interest income:						
Loans and bills discounted	**23,919**	28,144	(15)	**11,578**	12,341	(6)
Other financial institutions	**16**	110	(85)	**5**	11	(55)
Cash and liquid assets	**59**	356	(83)	**23**	36	(36)
Investment securities:						
At amortised cost	**48**	114	(58)	**22**	26	(15)
At fair value through other comprehensive income	**406**	1,002	(59)	**178**	228	(22)
Total effective interest income	**24,448**	29,726	(18)	**11,806**	12,642	(7)
Other:						
Assets at fair value through Income Statement	**210**	436	(52)	**66**	144	(54)
Total interest income	**24,658**	30,162	(18)	**11,872**	12,786	(7)
Interest Expense						
Deposits	**3,641**	7,304	(50)	**1,368**	2,273	(40)
Term funding from central banks	**43**	–	large	**26**	17	53
Other financial institutions	**57**	391	(85)	**19**	38	(50)
Liabilities at fair value through Income Statement	**37**	74	(50)	**21**	16	31
Debt issues	**960**	2,529	(62)	**455**	505	(10)
Loan capital	**661**	825	(20)	**318**	343	(7)
Lease liabilities	**82**	71	15	**40**	42	(5)
Bank levy	**338**	358	(6)	**157**	181	(13)
Total interest expense	**5,819**	11,552	(50)	**2,404**	3,415	(30)
Net interest income	**18,839**	18,610	1	**9,468**	9,371	1

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

1.1 **Net Interest Income** (continuing operations basis) (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 method. Interest income recognition for these categories of financial assets depends on the expected credit losses (ECL) stage they are allocated to in accordance with the Group's ECL methodology. For financial assets classified within Stage 1 and Stage 2 interest income is calculated 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. For details on the Group's ECL methodology refer to Note 3.2 of the 2021 Annual Report.

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

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

Interest income and expense on financial assets and liabilities that are classified at fair value through the Income Statement are accounted for on a contractual rate basis and include amortisation of premium/discounts.

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.

1.2 Net Interest Margin (continuing operations basis)

	Full Year Ended		Half Year Ended	
	30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
	%	%	**%**	%
Australia				
Interest spread [1, 2]	**1. 97**	1. 96	**1. 98**	1. 97
Benefit of interest-free liabilities, provisions and equity [3]	**0. 12**	0. 21	**0. 10**	0. 12
Net interest margin [2, 4]	**2. 09**	2. 17	**2. 08**	2. 09
New Zealand				
Interest spread [1, 2]	**1. 74**	1. 60	**1. 86**	1. 62
Benefit of interest-free liabilities, provisions and equity [3]	**0. 21**	0. 28	**0. 18**	0. 24
Net interest margin [2, 4]	**1. 95**	1. 88	**2. 04**	1. 86
Other Overseas				
Interest spread [1, 2]	**0. 46**	0. 39	**0. 53**	0. 40
Benefit of interest-free liabilities, provisions and equity [3]	**0. 02**	0. 09	**0. 01**	0. 03
Net interest margin [2, 4]	**0. 48**	0. 48	**0. 54**	0. 43
Total Group				
Interest spread [1]	**1. 90**	1. 86	**1. 94**	1. 88
Benefit of interest-free liabilities, provisions and equity [3]	**0. 13**	0. 21	**0. 10**	0. 13
Net interest margin [4]	**2. 03**	2. 07	**2. 04**	2. 01

[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 full year or the half year annualised.

1.3 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 full years ended 30 June 2021 and 30 June 2020. 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 financial year ended 30 June 2021 the official cash rate in Australia has decreased 15 basis points on a spot basis, while in New Zealand the official cash rate has remained flat on a spot basis.

	Full Year Ended 30 Jun 21			**Full Year Ended 30 Jun 20** [1]		
	Avg Bal	**Interest**	**Yield**	Avg Bal	Interest	Yield
Interest Earning Assets	**$M**	**$M**	**%**	$M	$M	%
Home loans	**501,825**	**15,710**	**3. 13**	484,553	18,070	3. 73
Consumer finance [2]	**17,156**	**1,785**	**10. 40**	20,497	2,342	11. 43
Business and corporate loans	**216,347**	**6,424**	**2. 97**	217,961	7,732	3. 55
Loans, bills discounted and other receivables [3]	**735,328**	**23,919**	**3. 25**	723,011	28,144	3. 89
Cash and other liquid assets	**64,016**	**75**	**0. 12**	54,888	466	0. 85
Assets at fair value through Income Statement (excluding life insurance)	**39,607**	**210**	**0. 53**	36,307	436	1. 20
Investment securities:						
At amortised cost	**4,445**	**48**	**1. 08**	6,278	114	1. 82
At fair value through other comprehensive income	**86,450**	**406**	**0. 47**	76,925	1,002	1. 30
Non-lending interest earning assets	**194,518**	**739**	**0. 38**	174,398	2,018	1. 16
Total interest earning assets [4]	**929,846**	**24,658**	**2. 65**	897,409	30,162	3. 36
Non-interest earning assets [3]	**109,026**			97,697		
Assets held for sale	**1,457**			6,074		
Total average assets	**1,040,329**			1,001,180		

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

[2] Consumer finance includes personal loans, credit cards and margin loans.

[3] Net of average mortgage and other offset balances, that are included in non-interest earning assets. Average mortgage offset balance for the full year ended 30 June 2021 was $56,675 million (full year ended 30 June 2020: $48,807 million). Gross average home loan balances, excluding offset accounts in the full year ended 30 June 2021 was $558,500 million (full year ended 30 June 2020: $533,360 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.

[4] Used for calculating net interest margin.

1.3 Average Balances and Related Interest (continuing operations basis) (continued)

	Full Year Ended 30 Jun 21			Full Year Ended 30 Jun 20 [1]		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Bearing Liabilities	$M	$M	%	$M	$M	%
Transaction deposits [2]	**117,525**	**177**	**0. 15**	91,689	330	0. 36
Savings deposits [2]	**244,452**	**636**	**0. 26**	200,900	1,170	0. 58
Investment deposits	**167,372**	**2,133**	**1. 27**	201,108	4,280	2. 13
Certificates of deposit and other	**62,781**	**695**	**1. 11**	67,524	1,524	2. 26
Total interest bearing deposits	**592,130**	**3,641**	**0. 61**	561,221	7,304	1. 30
Payables to financial institutions	**14,516**	**57**	**0. 39**	24,898	391	1. 57
Liabilities at fair value through Income Statement	**6,444**	**37**	**0. 57**	5,790	74	1. 28
Term funding from central banks	**18,646**	**43**	**0. 23**	19	–	–
Debt issues	**114,931**	**960**	**0. 84**	152,960	2,529	1. 65
Loan capital	**27,139**	**661**	**2. 44**	24,505	825	3. 37
Lease liabilities	**3,161**	**82**	**2. 59**	2,589	71	2. 74
Bank levy	**–**	**338**	**–**	–	358	–
Total interest bearing liabilities	**776,967**	**5,819**	**0. 75**	771,982	11,552	1. 50
Non-interest bearing liabilities [2]	**187,512**			153,339		
Liabilities held for sale	**658**			5,017		
Total average liabilities	**965,137**			930,338		

	Full Year Ended 30 Jun 21			Full Year Ended 30 Jun 20		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Net Interest Margin	$M	$M	%	$M	$M	%
Total interest earning assets	**929,846**	**24,658**	**2. 65**	897,409	30,162	3. 36
Total interest bearing liabilities	**776,967**	**5,819**	**0. 75**	771,982	11,552	1. 50
Net interest income and interest spread		**18,839**	**1. 90**		18,610	1. 86
Benefit of free funds			**0. 13**			0. 21
Net interest margin			**2. 03**			2. 07

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

[2] Transaction and savings deposits exclude average mortgage and other offset balances, that are included in non-interest bearing liabilities. Average mortgage offset balances for the full year ended 30 June 2021 was $56,675 (full year ended 30 June 2020: $48,807 million).

1.3 Average Balances and Related Interest (continuing operations basis) (continued)

	Full Year Ended 30 Jun 21			Full Year Ended 30 Jun 20		
	Avg Bal	**Interest**	**Yield**	Avg Bal	Interest	Yield
Geographical Analysis of Key Categories	**$M**	**$M**	**%**	$M	$M	%
Loans, bills discounted and other receivables						
Australia	**627,669**	**20,231**	**3. 22**	614,980	23,563	3. 83
New Zealand [1]	**91,426**	**3,249**	**3. 55**	87,903	3,813	4. 34
Other Overseas [1]	**16,233**	**439**	**2. 70**	20,128	768	3. 82
Total	**735,328**	**23,919**	**3. 25**	723,011	28,144	3. 89
Non-lending interest earning assets						
Australia	**142,475**	**612**	**0. 43**	123,367	1,534	1. 24
New Zealand [1]	**13,813**	**65**	**0. 47**	12,579	145	1. 15
Other Overseas [1]	**38,230**	**62**	**0. 16**	38,452	339	0. 88
Total	**194,518**	**739**	**0. 38**	174,398	2,018	1. 16
Total interest bearing deposits						
Australia	**510,696**	**2,650**	**0. 52**	479,057	5,447	1. 14
New Zealand [1]	**62,109**	**794**	**1. 28**	60,094	1,347	2. 24
Other Overseas [1]	**19,325**	**197**	**1. 02**	22,070	510	2. 31
Total	**592,130**	**3,641**	**0. 61**	561,221	7,304	1. 30
Other interest bearing liabilities						
Australia	**150,813**	**1,750**	**1. 16**	165,508	3,362	2. 03
New Zealand [1]	**25,883**	**413**	**1. 60**	27,503	671	2. 44
Other Overseas [1]	**8,141**	**15**	**0. 18**	17,750	215	1. 21
Total	**184,837**	**2,178**	**1. 18**	210,761	4,248	2. 02

[1] The New Zealand and Other Overseas components comprise overseas branches of the Group and overseas domiciled controlled entities.

Appendices (continued)

1.3 Average Balances and Related Interest (continuing operations basis) (continued)

Interest Earning Assets	Half Year Ended 30 Jun 21			Half Year Ended 31 Dec 20[1]			Half Year Ended 30 Jun 20[1]		
	Avg Bal $M	**Interest $M**	**Yield %**	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %
Home loans	**509,032**	**7,591**	**3. 01**	494,736	8,119	3. 26	489,014	8,680	3. 57
Consumer finance[2]	**17,054**	**869**	**10. 28**	17,257	916	10. 53	19,735	1,111	11. 32
Business and corporate loans	**216,219**	**3,118**	**2. 91**	216,472	3,306	3. 03	220,060	3,585	3. 28
Loans, bills discounted and other receivables[3]	**742,305**	**11,578**	**3. 15**	728,465	12,341	3. 36	728,809	13,376	3. 69
Cash and other liquid assets	**70,747**	**28**	**0. 08**	57,396	47	0. 16	63,177	179	0. 57
Assets at fair value through Income Statement (excluding life insurance)	**33,305**	**66**	**0. 40**	45,806	144	0. 62	37,905	209	1. 11
Investment securities:									
At fair value through other comprehensive income	**86,318**	**178**	**0. 42**	86,579	228	0. 52	77,521	408	1. 06
At amortised cost	**4,208**	**22**	**1. 05**	4,678	26	1. 10	5,727	44	1. 55
Non-lending interest earning assets	**194,578**	**294**	**0. 30**	194,459	445	0. 45	184,330	840	0. 92
Total interest earning assets[4]	**936,883**	**11,872**	**2. 56**	922,924	12,786	2. 75	913,139	14,216	3. 13
Non-interest earning assets[3]	**109,985**			108,082			103,321		
Assets held for sale	**1,358**			1,554			1,297		
Total average assets	**1,048,226**			1,032,560			1,017,757		

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

[2] Consumer finance includes personal loans, credit cards and margin loans.

[3] Net of average mortgage and other offset balances, that are included in non-interest earning assets. Average mortgage offset balance for the half year ended 30 June 2021 was $58,336 million (half year ended 31 December 2020: $55,040 million; half year ended 30 June 2019: $50,118 million). Gross average home loan balances, excluding offset accounts in the half year ended 30 June 2021 was $567,368 million (half year ended 31 December 2020: $549,776 million; 30 June 2019: $539,132 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.

[4] Used for calculating net interest margin.

1.3 Average Balances and Related Interest (continuing operations basis) (continued)

	Half Year Ended 30 Jun 21			Half Year Ended 31 Dec 20 [1]			Half Year Ended 30 Jun 20 [1]		
Interest Bearing Liabilities	**Avg Bal $M**	**Interest $M**	**Yield %**	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %
Transaction deposits [2]	**121,004**	**81**	**0. 13**	114,102	96	0. 17	96,251	126	0. 26
Savings deposits [2]	**248,193**	**230**	**0. 19**	240,773	406	0. 33	211,629	511	0. 49
Investment deposits	**160,127**	**812**	**1. 02**	174,499	1,321	1. 50	195,229	1,865	1. 92
Certificates of deposit and other	**63,871**	**245**	**0. 77**	61,708	450	1. 45	68,703	638	1. 87
Total interest bearing deposits	**593,195**	**1,368**	**0. 47**	591,082	2,273	0. 76	571,812	3,140	1. 10
Payables to financial institutions	**16,055**	**19**	**0. 24**	13,002	38	0. 58	24,390	153	1. 26
Liabilities at fair value through Income Statement	**8,100**	**21**	**0. 52**	4,815	16	0. 66	4,951	26	1. 06
Term funding from central banks	**24,256**	**26**	**0. 22**	13,128	17	0. 25	37	–	–
Debt issues	**104,802**	**455**	**0. 88**	124,898	505	0. 80	151,611	1,031	1. 37
Loan capital	**27,980**	**318**	**2. 29**	26,310	343	2. 59	25,708	398	3. 11
Lease liabilities	**3,176**	**40**	**2. 54**	3,146	42	2. 65	2,528	34	2. 70
Bank levy	**–**	**157**	**–**	–	181	–	–	174	–
Total interest bearing liabilities	**777,564**	**2,404**	**0. 62**	776,381	3,415	0. 87	781,037	4,956	1. 28
Non-interest bearing liabilities [2]	**193,256**			182,022			164,434		
Liabilities held for sale	**587**			728			758		
Total average liabilities	**971,407**			959,131			946,229		

	Half Year Ended 30 Jun 21			Half Year Ended 31 Dec 20 [1]			Half Year Ended 30 Jun 20		
Net Interest Margin	**Avg Bal $M**	**Interest $M**	**Yield %**	Avg Bal $M	Interest $M	Yield %	Avg Bal $M	Interest $M	Yield %
Total interest earning assets	**936,883**	**11,872**	**2. 56**	922,924	12,786	2. 75	913,139	14,216	3. 13
Total interest bearing liabilities	**777,564**	**2,404**	**0. 62**	776,381	3,415	0. 87	781,037	4,956	1. 28
Net interest income and interest spread		**9,468**	**1. 94**		9,371	1. 88		9,260	1. 85
Benefit of free funds			**0. 10**			0. 13			0. 19
Net interest margin			**2. 04**			2. 01			2. 04

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

[2] Transaction and savings deposits exclude average mortgage and other offset balances, that are included in non-interest bearing liabilities. Average mortgage offset balances for the half year ended 30 June 2021 was $58,336 (half year ended 31 December 2020: $55,040 million; half year ended 30 June 2019: $50,118 million).

Appendices (continued)

1.3 Average Balances and Related Interest (continuing operations basis) (continued)

Geographical Analysis of Key Categories [2]	Half Year Ended 30 Jun 21			Half Year Ended 31 Dec 20 [1]			Half Year Ended 30 Jun 20		
	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	**633,131**	**9,821**	**3. 13**	622,295	10,410	3. 32	619,613	11,176	3. 63
New Zealand	**93,357**	**1,557**	**3. 36**	89,527	1,692	3. 75	89,087	1,846	4. 17
Other Overseas	**15,817**	**200**	**2. 55**	16,643	239	2. 85	20,109	354	3. 54
Total	**742,305**	**11,578**	**3. 15**	728,465	12,341	3. 36	728,809	13,376	3. 69
Non-lending interest earning assets									
Australia	**145,171**	**248**	**0. 34**	139,823	364	0. 52	127,040	643	1. 02
New Zealand	**14,197**	**33**	**0. 47**	13,435	32	0. 47	13,676	60	0. 88
Other Overseas	**35,210**	**13**	**0. 07**	41,201	49	0. 24	43,614	137	0. 63
Total	**194,578**	**294**	**0. 30**	194,459	445	0. 45	184,330	840	0. 92
Total interest bearing deposits									
Australia	**511,708**	**1,026**	**0. 40**	509,698	1,624	0. 63	487,177	2,292	0. 95
New Zealand	**61,989**	**268**	**0. 87**	62,228	526	1. 68	61,645	624	2. 04
Other Overseas	**19,498**	**74**	**0. 77**	19,156	123	1. 27	22,990	224	1. 96
Total	**593,195**	**1,368**	**0. 47**	591,082	2,273	0. 76	571,812	3,140	1. 10
Other interest bearing liabilities									
Australia	**149,747**	**825**	**1. 11**	151,864	925	1. 21	163,653	1,445	1. 78
New Zealand	**27,155**	**208**	**1. 54**	24,632	205	1. 65	27,471	304	2. 23
Other Overseas	**7,467**	**3**	**0. 08**	8,803	12	0. 27	18,101	67	0. 74
Total	**184,369**	**1,036**	**1. 13**	185,299	1,142	1. 22	209,225	1,816	1. 75

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

[2] The New Zealand and Other Overseas components comprise overseas branches of the Group and overseas domiciled controlled entities.

1.4 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 year due to movement in the average balance. Rate variances reflect the change in interest from the prior year due to changes in interest rates.

	Full Year Ended Jun 21 vs Jun 20		
	Volume	Rate	Total
Interest Earning Assets [1]	$M	$M	$M
Home loans	541	(2,901)	(2,360)
Consumer finance	(348)	(209)	(557)
Business and corporate loans	(48)	(1,260)	(1,308)
Loans, bills discounted and other receivables	401	(4,626)	(4,225)
Cash and other liquid assets	11	(402)	(391)
Assets at fair value through Income Statement (excluding life insurance)	17	(243)	(226)
Investment securities:			
At fair value through other comprehensive income	45	(641)	(596)
At amortised cost	(20)	(46)	(66)
Non-lending interest earning assets	76	(1,355)	(1,279)
Total interest earning assets	860	(6,364)	(5,504)

	Full Year Ended Jun 21 vs Jun 20		
	Volume	Rate	Total
Interest Bearing Liabilities [1]	$M	$M	$M
Transaction deposits	39	(192)	(153)
Savings deposits	113	(647)	(534)
Investment deposits	(430)	(1,717)	(2,147)
Certificates of deposit and other	(53)	(776)	(829)
Total interest bearing deposits	190	(3,853)	(3,663)
Payables to financial institutions	(41)	(293)	(334)
Liabilities at fair value through Income Statement	4	(41)	(37)
Term funding from central banks	43	–	43
Debt issues	(318)	(1,251)	(1,569)
Loan capital	64	(228)	(164)
Lease liabilities	15	(4)	11
Bank levy	–	(20)	(20)
Total interest bearing liabilities	37	(5,770)	(5,733)

	Full Year Ended
	Jun 21 vs Jun 20
	Increase/(Decrease)
Change in Net Interest Income	$M
Due to changes in average volume of interest earning assets	657
Due to changes in interest margin	(377)
Due to variation in time period	(51)
Change in net interest income	229

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[1] 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 Interest Rate and Volume Analysis (continuing operations basis) (continued)

	Full Year Ended Jun 21 vs Jun 20		
Geographical Analysis of Key Categories [1]	Volume $M	Rate $M	Total $M
Loans, bills discounted and other receivables			
Australia	409	(3,741)	(3,332)
New Zealand	125	(689)	(564)
Other Overseas	(105)	(224)	(329)
Total	401	(4,626)	(4,225)
Non-lending interest earning assets			
Australia	82	(1,004)	(922)
New Zealand	6	(86)	(80)
Other Overseas	–	(277)	(277)
Total	76	(1,355)	(1,279)
Total interest bearing deposits			
Australia	164	(2,961)	(2,797)
New Zealand	26	(579)	(553)
Other Overseas	(28)	(285)	(313)
Total	190	(3,853)	(3,663)
Other interest bearing liabilities			
Australia	(171)	(1,441)	(1,612)
New Zealand	(26)	(232)	(258)
Other Overseas	(18)	(182)	(200)
Total	(305)	(1,765)	(2,070)

[1] 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 Interest Rate and Volume Analysis (continuing operations basis) (continued)

	Half Year Ended Jun 21 vs Dec 20			Half Year Ended Jun 21 vs Jun 20		
	Volume	Rate	Total	Volume	Rate	Total
Interest Earning Assets [1]	$M	$M	$M	$M	$M	$M
Home loans	81	(609)	(528)	274	(1,363)	(1,089)
Consumer finance	(25)	(22)	(47)	(140)	(102)	(242)
Business and corporate loans	(58)	(130)	(188)	(65)	(402)	(467)
Loans, bills discounted and other receivables	15	(778)	(763)	173	(1,971)	(1,798)
Cash and other liquid assets	5	(24)	(19)	3	(154)	(151)
Assets at fair value through Income Statement (excluding life insurance)	(27)	(51)	(78)	(10)	(133)	(143)
Investment securities:						
At fair value through other comprehensive income	(4)	(46)	(50)	17	(247)	(230)
At amortised cost	(3)	(1)	(4)	(8)	(14)	(22)
Non-lending interest earning assets	(7)	(144)	(151)	13	(559)	(546)
Total interest earning assets	(32)	(882)	(914)	262	(2,606)	(2,344)

	Half Year Ended Jun 21 vs Dec 20			Half Year Ended Jun 21 vs Jun 20		
	Volume	Rate	Total	Volume	Rate	Total
Interest Bearing Liabilities [1]	$M	$M	$M	$M	$M	$M
Transaction deposits	3	(18)	(15)	16	(61)	(45)
Savings deposits	–	(176)	(176)	32	(313)	(281)
Investment deposits	(94)	(415)	(509)	(183)	(870)	(1,053)
Certificates of deposit and other	1	(206)	(205)	(20)	(373)	(393)
Total interest bearing deposits	(32)	(873)	(905)	41	(1,813)	(1,772)
Payables to financial institutions	3	(22)	(19)	(10)	(124)	(134)
Liabilities at fair value through Income Statement	8	(3)	5	8	(13)	(5)
Term funding from central banks	12	(3)	9	26	–	26
Debt issues	(95)	45	(50)	(206)	(370)	(576)
Loan capital	13	(38)	(25)	25	(105)	(80)
Lease liabilities	–	(2)	(2)	8	(2)	6
Bank levy	–	(24)	(24)	–	(17)	(17)
Total interest bearing liabilities	(52)	(959)	(1,011)	(24)	(2,528)	(2,552)

	Half Year Ended	
	Jun 21 vs Dec 20 Increase/(Decrease)	Jun 21 vs Jun 20 Increase/(Decrease)
Change in Net Interest Income	$M	$M
Due to changes in average volume of interest earning assets	141	240
Due to changes in interest margin	109	19
Due to variation in time periods	(153)	(51)
Change in net interest income	97	208

[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 Interest Rate and Volume Analysis (continuing operations basis) (continued)

Geographical Analysis of Key Categories [1]	Half Year Ended Jun 21 vs Dec 20 Volume $M	Half Year Ended Jun 21 vs Dec 20 Rate $M	Half Year Ended Jun 21 vs Dec 20 Total $M	Half Year Ended Jun 21 vs Jun 20 Volume $M	Half Year Ended Jun 21 vs Jun 20 Rate $M	Half Year Ended Jun 21 vs Jun 20 Total $M
Loans, bills discounted and other receivables						
Australia	(2)	(587)	(589)	179	(1,534)	(1,355)
New Zealand	36	(171)	(135)	66	(355)	(289)
Other Overseas	(14)	(25)	(39)	(55)	(99)	(154)
Total	15	(778)	(763)	173	(1,971)	(1,798)
Non-lending interest earning assets						
Australia	3	(119)	(116)	29	(424)	(395)
New Zealand	1	–	1	1	(28)	(27)
Other Overseas	(3)	(33)	(36)	(3)	(121)	(124)
Total	(7)	(144)	(151)	13	(559)	(546)
Total interest bearing deposits						
Australia	(22)	(576)	(598)	43	(1,309)	(1,266)
New Zealand	(10)	(248)	(258)	–	(356)	(356)
Other Overseas	(1)	(48)	(49)	(14)	(136)	(150)
Total	(32)	(873)	(905)	41	(1,813)	(1,772)
Other interest bearing liabilities						
Australia	(27)	(73)	(100)	(81)	(539)	(620)
New Zealand	16	(13)	3	(3)	(93)	(96)
Other Overseas	(1)	(8)	(9)	(4)	(60)	(64)
Total	(24)	(82)	(106)	(145)	(635)	(780)

[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).

1.5 Other Banking Income (continuing operations basis)

	Full Year Ended			Half Year Ended [1]		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
	$M	$M	Jun 20 %	**$M**	$M	Dec 20 %
Commissions	**2,564**	2,557	–	**1,265**	1,299	(3)
Lending fees	**1,128**	986	14	**603**	525	15
Trading income	**852**	940	(9)	**317**	535	(41)
Net gain/(loss) on non-trading financial instruments [2]	**23**	139	(83)	**167**	(144)	large
Net gain/(loss) on sale of property, plant and equipment	**(4)**	32	large	**(4)**	–	n/a
Net (loss)/gain from hedging ineffectiveness	**39**	(14)	large	**22**	17	29
Dividends	**2**	3	(33)	**1**	1	–
Share of profit of associates and joint ventures net of impairment	**599**	170	large	**468**	131	large
Other [3, 4]	**62**	189	(67)	**72**	(10)	large
Total other banking income - "statutory basis"	**5,265**	5,002	5	**2,911**	2,354	24

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

[2] Includes gains/(losses) on non-trading derivatives that are held for risk management purposes.

[3] Other banking income includes depreciation of $75 million for the full year ended 30 June 2021 (30 June 2020: $83 million) and $35 million for the half year ended 30 June 2021 (31 December 2020: $40 million) in relation to assets held for lease as lessor by the Group.

[4] Other banking income includes an additional $112 million impairment loss recognised in the full year ended 30 June 2021 (30 June 2020: $92 million) in relation to certain aircrafts owned by the Group and leased to various airlines. The impairment loss was driven by the impact of COVID-19 on the aviation sector. 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.

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.

	Full Year Ended			Half Year Ended		
	30 Jun 21	30 Jun 20	Jun 21 vs	**30 Jun 21**	31 Dec 20	Jun 21 vs
	$M	$M	Jun 20 %	**$M**	$M	Dec 20 %
Other banking income - "cash basis"	**5,007**	4,837	4	**2,588**	2,419	7
Revenue hedge of New Zealand operations - unrealised	**4**	124	(97)	**5**	(1)	large
Hedging and IFRS volatility	**12**	12	–	**17**	(5)	large
Gain/(loss) on disposal and acquisition of entities net of transaction costs	**242**	29	large	**301**	(59)	large
Other banking income - "statutory basis"	**5,265**	5,002	5	**2,911**	2,354	24

1.6 Operating Expenses (continuing operations basis)

	Full Year Ended [1]			Half Year Ended [1]		
	30 Jun 21 $M	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Dec 20 %
Staff expenses						
Salaries and related on-costs	**5,506**	5,248	5	**2,795**	2,711	3
Share-based compensation	**100**	103	(3)	**55**	45	22
Superannuation	**442**	409	8	**217**	225	(4)
Total staff expenses	**6,048**	5,760	5	**3,067**	2,981	3
Occupancy and equipment expenses						
Lease expenses [2]	**166**	165	1	**79**	87	(9)
Depreciation of property, plant and equipment	**756**	726	4	**377**	379	(1)
Other occupancy expenses	**236**	167	41	**124**	112	11
Total occupancy and equipment expenses	**1,158**	1,058	9	**580**	578	–
Information technology services						
Application, maintenance and development	**870**	662	31	**497**	373	33
Data processing	**187**	182	3	**93**	94	(1)
Desktop	**149**	118	26	**80**	69	16
Communications	**174**	192	(9)	**87**	87	–
Amortisation of software assets [3]	**530**	918	(42)	**210**	320	(34)
Software write-offs	**9**	14	(36)	**9**	–	n/a
IT equipment depreciation	**129**	133	(3)	**63**	66	(5)
Total information technology services	**2,048**	2,219	(8)	**1,039**	1,009	3
Other expenses						
Postage and stationery	**136**	148	(8)	**70**	66	6
Transaction processing and market data	**138**	135	2	**69**	69	–
Fees and commissions:						
Professional fees	**528**	404	31	**276**	252	10
Other	**244**	262	(7)	**119**	125	(5)
Advertising, marketing and loyalty	**412**	424	(3)	**217**	195	11
Amortisation of intangible assets (excluding software and merger related amortisation)	**5**	5	–	**2**	3	(33)
Non-lending losses	**509**	563	(10)	**295**	214	38
Other	**133**	18	large	**34**	99	(66)
Total other expenses	**2,105**	1,959	7	**1,082**	1,023	6
Operating expenses before restructuring, separation and transaction costs	**11,359**	10,996	3	**5,768**	5,591	3
Restructuring, separation and transaction costs	**126**	34	large	**65**	61	7
Total operating expenses [4]	**11,485**	11,030	4	**5,833**	5,652	3

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[1] Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in Note 1.1 of the 2021 Annual Report.

[2] The full year ended 30 June 2021 includes rentals of $87 million in relation to short-term leases and low value leases (30 June 2020: $86 million), and variable lease payments based on usage or performance of $50 million (30 June 2020: $44 million).

[3] The year ended 30 June 2021 includes $117 million of amortisation of prepaid software licenses ($170 million for the year ended 30 June 2020, $35 million for the half year ended 30 June 2021). The year ended 30 June 2020 includes approximately a $220 million one-off impact of accelerated amortisation following a review of the amortisation method and useful lives of certain technology assets.

[4] The full year ended 30 June 2021 includes $326 million of additional costs, including provisions, for historical Aligned Advice remediation issues and associated program costs ($300 million for the full year ended 30 June 2020, $177 million for the half year ended 30 June 2021), and $249 million for Banking, other Wealth and employee related remediation, and litigation provisions ($161 million full year ended 30 June 2020, $156 million for the half year ended 30 June 2021), including an additional provision to address New Zealand Compliance Audit findings related to holiday pay.

Appendices (continued)

1.7 Income Tax Expense (continuing operations basis)

	Full Year Ended [1]		Half Year Ended [1]	
	30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
	$M	$M	**$M**	$M
Profit before income tax	**12,375**	10,378	**7,013**	5,362
Prima facie income tax at 30%	**3,713**	3,113	**2,104**	1,609
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:				
Offshore tax rate differential	**(43)**	(16)	**(23)**	(20)
Offshore banking unit	**(2)**	(19)	**1**	(3)
Effect of changes in tax rates	**11**	–	**11**	–
Income tax (over)/under provided in previous years	**24**	(53)	**24**	–
(Loss)/gain on disposals	**(122)**	(74)	**(126)**	4
Other	**(49)**	39	**(62)**	13
Total income tax expense	**3,532**	2,990	**1,929**	1,603
Effective tax rate (%)	**28.5**	28.8	**27.5**	29.9

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

2. Our Lending Activities

Overview

Lending is the Group's primary business activity, generating most of its net interest income and lending fees. The Group satisfies customers' needs for borrowed funds by providing a broad range of lending products in Australia, New Zealand and other jurisdictions. As a result of its lending activities the Group assumes credit risk arising from the potential that it will not receive the full amount owed.

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.

2.1 Loans, Bills Discounted and Other Receivables

	As at [1]		
	30 Jun 21	31 Dec 20	30 Jun 20
	$M	$M	$M
Australia			
Overdrafts	**21,466**	26,519	29,026
Home loans [2]	**516,217**	498,305	485,795
Credit card outstandings	**8,640**	8,998	9,005
Lease financing	**3,731**	3,891	4,073
Bills discounted	**5**	6	354
Term loans and other lending	**155,536**	148,367	146,225
Total Australia	**705,595**	686,086	674,478
New Zealand			
Overdrafts	**959**	948	1,024
Home loans [2]	**63,017**	60,421	56,361
Credit card outstandings	**909**	973	911
Lease financing	**1**	1	6
Term loans and other lending	**31,141**	30,132	29,416
Total New Zealand	**96,027**	92,475	87,718
Other Overseas			
Overdrafts	**296**	358	457
Home loans [2]	**522**	592	724
Term loans and other lending	**15,826**	14,962	16,731
Total Other Overseas	**16,644**	15,912	17,912
Gross loans, bills discounted and other receivables	**818,266**	794,473	780,108
Less:			
Provisions for loan impairment			
Collective provisions	**(5,200)**	(5,806)	(5,277)
Individually assessed provisions	**(900)**	(872)	(967)
Unearned income:			
Term loans	**(622)**	(639)	(627)
Lease financing	**(188)**	(213)	(257)
	(6,910)	(7,530)	(7,128)
Net loans, bills discounted and other receivables	**811,356**	786,943	772,980

[1] Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in Note 1.1 of the 2021 Annual Report.

[2] Home loans are presented gross of mortgage offset balances, which are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.

2.1 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, consistent with the Group's policy for all financial assets measured at amortised cost, 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. The accounting policy for provisions for impairment is in Appendix 2.2.

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

Critical accounting judgements and estimates

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

2.2 Provisions for Impairment and Asset Quality

	As at 30 June 2021			
	Home Loans $M	Other Personal [1] $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired				
Investment Grade	334,455	4,351	95,200	434,006
Pass Grade	227,922	11,575	117,252	356,749
Weak	4,422	956	3,942	9,320
Total loans which were neither past due nor impaired	**566,799**	**16,882**	**216,394**	**800,075**
Loans which were past due but not impaired [2]				
Past due 1 - 29 days	6,715	349	1,200	8,264
Past due 30 - 59 days	1,456	103	193	1,752
Past due 60 - 89 days	875	61	119	1,055
Past due 90 - 179 days	1,386	–	186	1,572
Past due 180 days or more	1,659	–	529	2,188
Total loans past due but not impaired	**12,091**	**513**	**2,227**	**14,831**

	As at 30 June 2020 [3]			
	Home Loans $M	Other Personal [1] $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired				
Investment Grade	316,878	4,095	95,630	416,603
Pass Grade	209,952	12,988	112,235	335,175
Weak	4,118	1,370	4,836	10,324
Total loans which were neither past due nor impaired	**530,948**	**18,453**	**212,701**	**762,102**
Loans which were past due but not impaired [2]				
Past due 1 - 29 days	6,906	496	1,000	8,402
Past due 30 - 59 days	1,964	152	336	2,452
Past due 60 - 89 days	1,246	160	145	1,551
Past due 90 - 179 days	1,369	29	161	1,559
Past due 180 days or more	1,341	16	445	1,802
Total loans past due but not impaired	**12,826**	**853**	**2,087**	**15,766**

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

2.2 Provisions for Impairment and Asset Quality (continued)

Movement in impaired assets

	Full Year Ended		Half Year Ended	
	30 Jun 21	30 Jun 20	30 Jun 21	31 Dec 20
	$M	$M	$M	$M
Movement in gross impaired assets				
Gross impaired assets - opening balance	**3,548**	3,622	**3,100**	3,548
New and increased	**2,160**	2,631	**1,361**	799
Balances written off	**(741)**	(1,054)	**(297)**	(444)
Returned to performing or repaid	**(1,876)**	(2,221)	**(899)**	(977)
Portfolio managed - new/increased/return to performing/repaid	**318**	570	**144**	174
Gross impaired assets - closing balance [1, 2]	**3,409**	3,548	**3,409**	3,100

Impaired assets by size

	As at	
	30 Jun 21	30 Jun 20
	$M	$M
Impaired assets by size of asset		
Less than $1 million	**1,833**	1,846
$1 million to $10 million	**799**	790
Greater than $10 million	**777**	912
Gross impaired assets [1, 2]	**3,409**	3,548
Less total provisions for impaired assets [3]	**(1,159)**	(1,255)
Net impaired assets	**2,250**	2,293

[1] As at 30 June 2021, impaired assets include those assets in Stage 3 that are considered impaired, as well as $148 million of restructured assets in Stage 2 (30 June 2020: $77 million). Stage 3 assets include impaired assets and those that are defaulted but not impaired as they are well secured.

[2] Includes $3,360 million of loans and advances and $49 million of other financial assets (31 December 2020: $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).

[3] Includes $900 million of individually assessed provisions and $259 million of collective provisions (30 June 2020: $967 million of individually assessed provisions and $288 million of collective provisions).

2.2 Provisions for Impairment and Asset Quality (continued)

	Full Year Ended		Half Year Ended [1]	
	30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
	$M	$M	**$M**	$M
Provision for impairment losses				
Collective provisions				
Opening balance	**5,396**	3,904	**5,943**	5,396
Net collective provision funding	**287**	2,043	**(481)**	768
Impairment losses written off	**(536)**	(763)	**(236)**	(300)
Impairment losses recovered	**131**	185	**62**	69
Other	**33**	27	**23**	10
Closing balance	**5,311**	5,396	**5,311**	5,943
Individually assessed provisions				
Opening balance	**967**	895	**872**	967
Net new and increased individual provisioning	**496**	658	**260**	236
Write-back of provisions no longer required	**(229)**	(183)	**(107)**	(122)
Discount unwind to interest income	**(16)**	(16)	**(9)**	(7)
Impairment losses written off	**(323)**	(444)	**(121)**	(202)
Other	**5**	57	**5**	–
Closing balance	**900**	967	**900**	872
Total provisions for impairment losses	**6,211**	6,363	**6,211**	6,815
Less: off Balance Sheet provisions	**(111)**	(119)	**(111)**	(137)
Total provisions for loan impairment	**6,100**	6,244	**6,100**	6,678

	Full Year Ended		Half Year Ended	
	30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
	$M	$M	**$M**	$M
Loan impairment expense				
Net collective provision funding	**287**	2,043	**(481)**	768
Net new and increased individual provisioning	**496**	658	**260**	236
Write-back of individually assessed provisions	**(229)**	(183)	**(107)**	(122)
Total loan impairment expense	**554**	2,518	**(328)**	882

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

ACCOUNTING POLICIES

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

A description of the key components of the Group's AASB 9 impairment methodology is provided in Note 3.2 of the 2021 Annual Report.

3. Our Deposits and Funding Activities

Overview

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

Our main sources of funding include customer deposits, term funds raised in domestic and offshore wholesale markets via issuing debt securities and loan capital, and term funding from central banks. The Group also relies on repurchase agreements as a source of short-term wholesale funding. Refer to Note 9.4 of the 2021 Annual Report for the Group's management of liquidity and funding risk.

3.1 Deposits and Other Public Borrowings

	As at [1]		
	30 Jun 21	31 Dec 20	30 Jun 20
	$M	$M	$M
Australia			
Certificates of deposit	**29,890**	25,379	30,126
Term deposits	**118,958**	124,950	129,338
On-demand and short-term deposits	**406,481**	400,512	372,598
Deposits not bearing interest	**103,510**	84,025	69,143
Securities sold under agreements to repurchase	**12,634**	20,848	14,717
Total Australia	**671,473**	655,714	615,922
New Zealand			
Certificates of deposit	**3,588**	3,489	3,758
Term deposits	**23,649**	26,167	30,717
On-demand and short-term deposits	**33,841**	32,100	27,406
Deposits not bearing interest	**10,848**	9,815	7,588
Securities sold under agreements to repurchase	**–**	–	93
Total New Zealand	**71,926**	71,571	69,562
Other Overseas			
Certificates of deposit	**10,944**	10,409	9,911
Term deposits	**4,457**	3,610	4,691
On-demand and short-term deposits	**839**	840	1,090
Deposits not bearing interest	**58**	51	189
Securities sold under agreements to repurchase	**6,684**	5,785	2,067
Total Other Overseas	**22,982**	20,695	17,948
Total deposits and other public borrowings	**766,381**	747,980	703,432

[1] Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in Note 1.1 of the 2021 Annual Report.

ACCOUNTING POLICIES

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

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

4. 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.

4.1 Capital

The tables below show the APRA Basel III capital adequacy calculation at 30 June 2021 together with prior period comparatives.

	As at		
	30 Jun 21	31 Dec 20	30 Jun 20
Group Capital Adequacy Ratios	**%**	%	%
Common Equity Tier 1	**13. 1**	12. 6	11. 6
Tier 1	**15. 7**	15. 0	13. 9
Tier 2	**4. 1**	3. 9	3. 6
Total Capital	**19. 8**	18. 9	17. 5

	As at [1]		
	30 Jun 21	31 Dec 20	30 Jun 20
	$M	$M	$M
Ordinary share capital and treasury shares			
Ordinary share capital	**38,420**	38,417	38,131
Treasury shares	**12**	15	51
Ordinary share capital and treasury shares	**38,432**	38,432	38,182
Reserves			
Reserves	**3,249**	2,287	2,666
Reserves related to non-consolidated subsidiaries [2]	**–**	–	2
Total Reserves	**3,249**	2,287	2,668
Retained earnings and current period profits			
Retained earnings and current period profits	**37,044**	34,211	31,136
Retained earnings adjustment from non-consolidated subsidiaries [3]	**(486)**	(379)	(325)
Net retained earnings	**36,558**	33,832	30,811
Non-controlling interests			
Non-controlling interests [4]	**5**	5	5
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(5)**	(5)	(5)
Non-controlling interests	**–**	–	–
Common Equity Tier 1 Capital before regulatory adjustments	**78,239**	74,551	71,661

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

[2] 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.

[3] Cumulative current period profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.

[4] Non-controlling interests predominantly comprise of external equity interests of subsidiaries.

4.1 Capital (continued)

	As at [1]		
	30 Jun 21	31 Dec 20	30 Jun 20
	$M	$M	$M
Common Equity Tier 1 regulatory adjustments			
Goodwill [2]	**(6,017)**	(5,997)	(5,988)
Other intangibles (including software) [3]	**(1,570)**	(1,579)	(1,541)
Capitalised costs and deferred fees	**(938)**	(833)	(765)
Defined benefit superannuation plan surplus [4]	**(364)**	(180)	(476)
Deferred tax asset	**(2,483)**	(3,041)	(3,176)
Cash flow hedge reserve	**(467)**	(994)	(1,513)
Employee compensation reserve	**(103)**	(64)	(138)
Equity investments [5]	**(6,782)**	(3,924)	(3,648)
Equity investments in non-consolidated subsidiaries [6]	**(545)**	(670)	(1,429)
Unrealised fair value adjustments [7]	**(10)**	(9)	(16)
Other	**(124)**	(185)	(420)
Common Equity Tier 1 regulatory adjustments	**(19,403)**	(17,476)	(19,110)
Common Equity Tier 1	**58,836**	57,075	52,551
Additional Tier 1 Capital			
Basel III complying instruments [8]	**11,875**	10,695	10,695
Basel III non-complying instruments net of transitional amortisation [9]	**133**	130	146
Additional Tier 1 Capital	**12,008**	10,825	10,841
Tier 1 Capital	**70,844**	67,900	63,392
Tier 2 Capital			
Basel III complying instruments [10]	**16,644**	15,533	14,552
Basel III non-complying instruments net of transitional amortisation [11]	**266**	277	296
Holding of Tier 2 Capital	**(34)**	(49)	(16)
Prudential general reserve for credit losses [12]	**1,596**	2,061	1,597
Total Tier 2 Capital	**18,472**	17,822	16,429
Total Capital	**89,316**	85,722	79,821

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

[2] Includes goodwill from discontinued operations.

[3] Other intangibles (including capitalised software costs), net of any associated deferred tax liability.

[4] Represents the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability.

[5] Represents the Group's non-controlling interest in other entities.

[6] Non-consolidated subsidiaries consist of the insurance and fund management companies, and qualifying securitisation vehicles that meets APRA's operational requirement for regulatory capital relief under APS 120 "Securitisation".

[7] Includes gains due to changes in our credit risk on fair valued liabilities and other prudential valuation adjustment.

[8] As at 30 June 2021, comprises PERLS XIII $1,180 million (April 2021), 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).

[9] Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments that are eligible for Basel III transitional relief.

[10] In the half year ended 30 June 2021, the Group issued a USD1,250 million and a USD1,500 million subordinated note, that were Basel III compliant. 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 complaint.

[11] 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.

[12] 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.

4.1 Capital (continued)

Risk Weighted Assets (RWA)	As at 30 Jun 21 $M	31 Dec 20 $M	30 Jun 20 $M
Credit Risk			
Subject to AIRB approach [1]			
Corporate	**66,664**	69,157	69,577
SME Corporate	**29,845**	30,662	30,890
SME retail	**5,935**	6,583	6,665
SME retail secured by residential mortgage	**2,947**	3,087	3,360
Sovereign	**2,466**	2,668	1,838
Bank	**5,379**	6,424	6,667
Residential mortgage	**159,758**	151,950	148,294
Qualifying revolving retail	**5,466**	5,816	6,697
Other retail	**11,177**	11,511	12,126
Total RWA subject to AIRB approach	**289,637**	287,858	286,114
Specialised lending exposures subject to slotting criteria	**63,705**	60,136	58,611
Subject to Standardised approach			
Corporate	**1,234**	1,194	957
SME corporate	**805**	752	742
SME retail	**2,500**	2,660	2,929
Sovereign	**289**	286	267
Bank	**52**	150	68
Residential mortgage	**6,523**	6,466	6,635
Other retail	**938**	1,017	1,132
Other assets	**8,013**	8,504	10,281
Total RWA subject to Standardised approach	**20,354**	21,029	23,011
Securitisation	**3,106**	2,981	3,015
Credit valuation adjustment	**4,157**	4,446	3,057
Central counterparties	**591**	450	386
Total RWA for Credit Risk Exposures	**381,550**	376,900	374,194
Traded market risk	**8,307**	11,161	12,457
Interest rate risk in the banking book	**14,619**	15,561	11,085
Operational risk	**46,204**	49,994	57,212
Total risk weighted assets	**450,680**	453,616	454,948

[1] Pursuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06.

4.2 Shareholders' Equity

	Full Year Ended [1]		Half Year Ended [1]	
	30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
	$M	$M	**$M**	$M
Ordinary Share Capital				
Shares on issue:				
Opening balance	**38,282**	38,283	**38,546**	38,282
Dividend reinvestment plan (net of issue costs) [2, 3]	**264**	(1)	**–**	264
	38,546	38,282	**38,546**	38,546
Less treasury shares:				
Opening balance	**(151)**	(263)	**(129)**	(151)
Purchase of treasury shares [4]	**(59)**	(65)	**(2)**	(57)
Decrease in treasury shares on sale of CommInsure Life	**–**	79	**–**	–
Sale and vesting of treasury shares [4]	**84**	98	**5**	79
Movement in treasury shares	**(126)**	(151)	**(126)**	(129)
Closing balance	**38,420**	38,131	**38,420**	38,417
Retained Profits				
Opening balance	**31,136**	28,482	**34,211**	31,136
Changes on adoption of AASB 16	**–**	(146)	**–**	–
Prior period restatement	**–**	(33)	**–**	–
Restated opening balance	**31,136**	28,303	**34,211**	31,136
Actuarial gains/(losses) from defined benefit superannuation plans	**(95)**	116	**177**	(272)
Realised gains and dividend income on treasury shares	**–**	13	**–**	–
Net profit attributable to equity holders of the Bank	**10,181**	9,592	**5,312**	4,869
Total available for appropriation	**41,222**	38,024	**39,700**	35,733
Transfers from general reserve [5]	**–**	733	**–**	–
Transfers from asset revaluation reserve	**11**	8	**5**	6
Transfer from foreign currency revaluation reserve [6]	**207**	–	**–**	207
Interim dividend - cash component	**(2,243)**	(3,021)	**(2,243)**	–
Interim dividend - dividend reinvestment plan [2]	**(418)**	(519)	**(418)**	–
Final dividend - cash component	**(1,471)**	(3,474)	**–**	(1,471)
Final dividend - dividend reinvestment plan [2, 3]	**(264)**	(615)	**–**	(264)
Closing balance	**37,044**	31,136	**37,044**	34,211

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

[2] The DRP in respect of the interim 2020/2021, interim 2019/2020 and final 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 4,869,634 shares at $85.25, 7,080,363 shares at $73.37, and 7,810,285 shares at $78.61, respectively, to participating shareholders.

[3] 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 net of issue costs was $264 million.

[4] Relates to the movements in treasury shares held within the employee share plans and treasury shares held within life insurance statutory funds (prior to deconsolidation of CommInsure Life on 1 November 2019).

[5] Following deconsolidation of CommInsure Life on 1 November 2019, the Group is no longer required to quarantine undistributable profits in the general reserve. As a result, the general reserve was reclassified to retained profits.

[6] Relates to historical Group restructuring where the Group no longer holds exposure to foreign exchange risk.

4.2 Shareholders' Equity (continued)

	Full Year Ended [1]		Half Year Ended [1]	
	30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
	$M	$M	**$M**	$M
Reserves				
General Reserve				
Opening balance	**–**	733	**–**	–
Transfer to retained profits [2]	**–**	(733)	**–**	–
Closing balance	**–**	–	**–**	–
Asset Revaluation Reserve				
Opening balance	**257**	246	**252**	257
Revaluation of properties	**21**	24	**21**	–
Transfer to retained profits	**(11)**	(8)	**(5)**	(6)
Income tax effect	**(3)**	(5)	**(4)**	1
Closing balance	**264**	257	**264**	252
Foreign Currency Translation Reserve				
Opening balance	**678**	912	**173**	678
Transfer to retained profits [3]	**(207)**	–	**–**	(207)
Currency translation adjustments of foreign operations	**(225)**	(237)	**95**	(320)
Currency translation of net investment hedge	**8**	(5)	**(1)**	9
Income tax effect	**3**	8	**(10)**	13
Closing balance	**257**	678	**257**	173
Cash Flow Hedge Reserve				
Opening balance	**1,513**	787	**994**	1,513
Gains/(losses) on cash flow hedging instruments:				
Recognised in other comprehensive income	**(734)**	1,243	**311**	(1,045)
Transferred to Income Statement:				
Interest income	**(2,294)**	(2,008)	**(1,073)**	(1,221)
Interest expense	**1,865**	1,854	**810**	1,055
Other banking income	**(363)**	(44)	**(803)**	440
Income tax effect	**480**	(319)	**228**	252
Closing balance	**467**	1,513	**467**	994
Employee Compensation Reserve				
Opening balance	**138**	161	**64**	138
Current period movement	**(35)**	(23)	**39**	(74)
Closing balance	**103**	138	**103**	64
Investment Securities Revaluation Reserve				
Opening balance	**80**	253	**804**	80
Net gains / (losses) on revaluation of investment securities	**2,998**	(200)	**1,901**	1,097
Net gains on investment securities transferred to Income Statement on disposal	**(25)**	(49)	**32**	(57)
Income tax effect	**(895)**	76	**(579)**	(316)
Closing balance	**2,158**	80	**2,158**	804
Total Reserves	**3,249**	2,666	**3,249**	2,287
Shareholders' Equity attributable to Equity holders of the Bank	**78,713**	71,933	**78,713**	74,915
Shareholders' Equity attributable to Non-controlling interests	**5**	5	**5**	5
Total Shareholders' Equity	**78,718**	71,938	**78,718**	74,920

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

[2] Following deconsolidation of CommInsure Life on 1 November 2019, the Group is no longer required to quarantine distributable profits in general reserve. As a result, general reserve was reclassified to retained profits.

[3] The amount relates to a historical Group restructure where the Group no longer holds exposure to foreign exchange risk.

4.2 Shareholders' Equity (continued)

ACCOUNTING POLICIES

Shareholders' equity includes ordinary share capital, retained profits and reserves. Policies for each component are set out below:

Ordinary share capital:

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs. Where the Bank or entities within the Group purchase shares in the Bank, the consideration paid is deducted from total shareholders' equity and the shares are treated as treasury shares until they are subsequently sold, reissued or cancelled. Where such shares are sold or reissued, any consideration received is included in shareholders' equity.

Retained profits:

Retained profits includes the accumulated profits for the Group including certain amounts recognised directly in retained profits less dividends paid.

Reserves:

General reserve

In prior periods, the 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.

Asset revaluation reserve

The asset revaluation reserve is used to record revaluation adjustments on the Group's property assets. Where an asset is sold or disposed of, any balance in the reserve in relation to the asset is transferred directly to retained profits.

Foreign currency translation reserve

Exchange differences arising on translation of the Group's foreign operations are accumulated in the foreign currency translation reserve. Specifically, assets and liabilities are translated at the prevailing exchange rate at Balance Sheet date; revenue and expenses are translated at the transaction date; and all resulting exchange differences are recognised in the foreign currency translation reserve.

When a foreign operation is disposed of, exchange differences are recycled out of the reserve and recognised in the Income Statement.

Cash flow hedge reserve

The cash flow hedge reserve is used to record fair value gains or losses associated with the effective portion of designated cash flow hedging instruments. Amounts are reclassified to the Income Statement when the hedged transaction impacts profit or loss.

Employee compensation reserve

The employee compensation reserve is used to recognise the fair value of shares and other equity instruments issued to employees under the employee share plans and bonus schemes.

Investment securities revaluation reserve

The investment securities revaluation reserve includes changes in the fair value of investment securities measured at fair value through other comprehensive income. For debt securities, these changes are reclassified to the Income Statement when the asset is derecognised. For equity securities, these changes are not reclassified to the Income Statement when derecognised.

Appendices (continued)

4.3 Share Capital

	Full Year Ended		Half Year Ended	
	30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
Shares on Issue	**Shares**	Shares	**Shares**	Shares
Opening balance (excluding Treasury Shares deduction)	**1,770,239,507**	1,770,239,507	**1,774,096,410**	1,770,239,507
Issue of shares	**–**	–	**–**	–
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 [2]	**3,856,903**	–	**–**	3,856,903
2020/2021 Interim dividend fully paid ordinary shares $85.25 [1]	**–**	–	**–**	–
Closing balance (excluding Treasury Shares deduction)	**1,774,096,410**	1,770,239,507	**1,774,096,410**	1,774,096,410
Less: Treasury Shares [3]	**(1,665,028)**	(2,095,440)	**(1,665,028)**	(1,751,078)
Closing balance	**1,772,431,382**	1,768,144,067	**1,772,431,382**	1,772,345,332

[1] The DRP in respect of the interim 2020/2021, interim 2019/2020, and final 2018/2019 dividends were satisfied in full through the on-market purchase and transfer of 4,869,634 shares at $85.25, 7,080,363 shares at $73.37 and 7,810,285 shares at $78.61, respectively, to participating shareholders.

[2] 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 net of issue costs was $264 million.

[3] Relates to treasury shares held within the employee share plans.

Dividend Franking Account

Australian Franking Credits

The franking credits available to the Group at 30 June 2021, after allowing for Australian tax payable in respect of the current and prior reporting period's profit, are estimated to be $3,709 million (31 December 2020: $3,448 million; 30 June 2020: $2,751 million).

New Zealand Imputation Credits

The New Zealand imputation credits available to CBA at 30 June 2021 are estimated to be NZ$874 million (31 December 2020: NZ$1,039 million; 30 June 2020: NZ$1,197 million). This is calculated on the same basis as the Australian franking credits but using the New Zealand current tax liability.

Dividends

The Directors have determined a fully franked final dividend of 200 cents per share amounting to $3,548 million. There is no foreign conduit income attributed to the final dividend. The dividend will be payable on 29 September 2021 to shareholders on the register at 5:00pm AEST on 18 August 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 2021 interim dividend and 2020 interim dividend were satisfied in full by the on-market purchase and transfer of shares, and had participation rates of 15.7% and 14.7%, respectively. The DRP for the 2020 final dividend was satisfied by the issuance of shares and had a participation rate of 15.2%.

Record Date

The register closes for determination of dividend entitlement at 5:00pm AEST on 18 August 2021. The deadline for notifying a change to participation in the DRP is 5:00pm AEST on 19 August 2021.

Ex-Dividend Date

The ex-dividend date is 17 August 2021.

5. 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 2021 Annual Report.

5.1 Integrated Risk Management

The Group's approach to risk management is described within Note 9 to the Financial Statements in the 2021 Annual Report. Further disclosures in respect of capital adequacy and risk are provided in the Group's annual Pillar 3 document.

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 exposure across industry, region and commercial credit quality.

	As at [1]		
	30 Jun 21	31 Dec 20	30 Jun 20
By Sector	**%**	%	%
Consumer	**57. 5**	58. 7	58. 8
Government, Admin. & Defence	**15. 3**	12. 8	11. 8
Commercial Property	**6. 5**	6. 6	6. 6
Finance & Insurance	**6. 5**	6. 8	7. 6
Transport & Storage	**2. 1**	2. 3	2. 5
Agriculture & forestry	**2. 1**	2. 1	2. 1
Manufacturing	**1. 3**	1. 4	1. 4
Entertainment, Leisure & Tourism	**1. 0**	1. 1	1. 2
Electricity, Water & Gas	**1. 0**	1. 1	1. 1
Retail Trade	**1. 0**	1. 0	1. 0
Business Services	**0. 9**	1. 0	1. 0
Health & Community Services	**0. 9**	0. 9	0. 8
Wholesale Trade	**0. 9**	0. 9	0. 8
Construction	**0. 8**	0. 8	0. 9
Mining, Oil & Gas	**0. 7**	0. 8	1. 0
Media & Communications	**0. 4**	0. 5	0. 5
Personal & Other Services	**0. 3**	0. 3	0. 3
Education	**0. 3**	0. 3	0. 2
Other	**0. 5**	0. 6	0. 4
Total	**100. 0**	100. 0	100. 0

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[1] Committed exposures by industry, region and commercial credit quality are disclosed on a gross basis (calculated before collateralisation).

5.1 Integrated Risk Management (continued)

	As at		
	30 Jun 21	31 Dec 20	30 Jun 20
By Region [1]	**%**	%	%
Australia	**81. 8**	80. 3	79. 8
New Zealand	**10. 2**	10. 3	10. 6
Americas	**3. 2**	3. 6	4. 4
Europe	**2. 7**	2. 9	3. 0
Asia	**2. 0**	2. 8	2. 0
Other	**0. 1**	0. 1	0. 2
	100. 0	100. 0	100. 0

	As at		
	30 Jun 21	31 Dec 20	30 Jun 20
Commercial Portfolio Quality [1]	**%**	%	%
AAA/AA	**42. 3**	35. 2	35. 5
A	**11. 8**	15. 4	14. 7
BBB	**14. 2**	15. 3	16. 1
Other	**31. 7**	34. 1	33. 7
	100. 0	100. 0	100. 0

[1] Committed exposures by industry, region and commercial credit quality are disclosed on a gross basis (calculated before collateralisation).

As a measure of individually risk-rated commercial portfolio exposure (including finance and insurance), the Group has 68.3% (December 2020: 65.9%; June 2020: 66.3%) of commercial exposures at investment grade quality.

5.1 Integrated Risk Management (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 9.3 of the 2021 Annual 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]			
	30 Jun 21	31 Dec 20	30 Jun 20	31 Dec 19
Traded Market Risk	**$M**	$M	$M	$M
Risk Type				
Interest rate risk	**33. 1**	29. 1	26. 5	21. 2
Foreign exchange risk	**6. 5**	7. 6	33. 2	9. 4
Equities risk	**0. 9**	0. 4	0. 3	0. 4
Commodities risk	**17. 6**	14. 4	7. 9	9. 2
Credit spread risk	**33. 8**	27. 5	31. 5	7. 6
Other market risk [2]	**18. 7**	20. 5	52. 0	30. 2
Diversification benefit	**(56. 4)**	(35. 7)	(89. 9)	(50. 4)
Total general market risk	**54. 2**	63. 8	61. 5	27. 6
Undiversified risk	**10. 9**	14. 7	8. 6	5. 7
ASB & PTBC Banks	**3. 8**	3. 6	0. 5	0. 8
Total	**68. 9**	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.

5.1 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 2021 Annual 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 30 June 2021, 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.

Net Interest Earnings at Risk [1]		**30 Jun 21** **$M**	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M
Average monthly exposure	AUD	**1,753. 0**	1,833. 6	1,230. 2	787. 2
	NZD	**322. 9**	253. 2	140. 3	72. 4
High month exposure	AUD	**2,346. 5**	2,084. 4	1,682. 0	1,038. 0
	NZD	**331. 4**	313. 5	215. 9	104. 0
Low month exposure	AUD	**765. 0**	1,627. 0	812. 0	506. 7
	NZD	**310. 3**	212. 4	88. 4	47. 3

[1] Exposures over a 6 month period. NZD exposures are presented in NZD.

From May 2021, the AUD exposure reduced by $1.4 billion which reflected a review of asset pricing strategies for a 100 basis point reduction in interest rates.

(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 (20-day 99.0% confidence) [1]	**30 Jun 21** **$M**	31 Dec 20 $M	30 Jun 20 $M	31 Dec 19 $M
Average daily exposure	**469. 8**	686. 1	493. 3	242. 4
High daily exposure	**645. 6**	743. 0	804. 2	271. 0
Low daily exposure	**332. 5**	638. 5	258. 7	224. 1

[1] Exposures over a 6 month period.

Appendices (continued)

5.1 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]				
	30 Jun 21 $M	31 Dec 20 $M	30 Jun 20 $M	Jun 21 vs Dec 20 %	Jun 21 vs Jun 20 %
Transaction deposits [2]	**173,626**	169,342	146,446	3	19
Savings deposits	**259,244**	249,999	236,652	4	10
Investment deposits	**154,252**	167,904	181,473	(8)	(15)
Other customer deposits [2, 3]	**115,093**	94,603	77,831	22	48
Total customer deposits	**702,215**	681,848	642,402	3	9
Wholesale funding					
Short-term					
Certificates of deposit [4]	**43,885**	39,166	42,456	12	3
Euro commercial paper programme	**–**	–	63	–	large
US commercial paper programme	**7,721**	15,418	12,914	(50)	(40)
Euro medium-term note programme	**1,041**	3,010	5,442	(65)	(81)
Central Bank deposits	**11,464**	5,633	8,437	large	36
Other [5]	**117**	2,274	1,061	(95)	(89)
Total short-term wholesale funding	**64,228**	65,501	70,373	(2)	(9)
Net collateral received and settlement balances [6]	**9,436**	2,913	(977)	large	large
Internal RMBS sold under agreement to repurchase with RBA	**4,000**	5,416	5,413	(26)	(26)
Total short-term collateral deposits	**13,436**	8,329	4,436	61	large
Total long-term funding - less than or equal to one year residual maturity [7]	**35,129**	30,326	22,147	16	59
Long-term - greater than one year residual maturity					
Domestic debt program	**8,494**	11,718	16,118	(28)	(47)
Euro medium-term note programme	**16,413**	17,604	21,543	(7)	(24)
US medium-term note programme [8]	**12,376**	14,023	19,686	(12)	(37)
Covered bond programme	**23,098**	24,981	31,430	(8)	(27)
Securitisation	**7,192**	7,989	8,790	(10)	(18)
Loan capital	**22,690**	22,485	24,823	1	(9)
RBA Term Funding Facility (TFF) [9]	**51,137**	19,163	1,500	large	large
Other	**1,686**	1,776	1,673	(5)	1
Total long-term funding - greater than one year residual maturity	**143,086**	119,739	125,563	19	14
IFRS MTM and derivative FX revaluations	**3,445**	5,270	7,241	(35)	(52)
Total funding	**961,539**	911,013	872,162	6	10
Reported as					
Deposits and other public borrowings	**766,381**	747,980	703,432	2	9
Payables to financial institutions	**19,059**	11,847	14,929	61	28
Liabilities at fair value through Income Statement	**8,381**	7,255	4,397	16	91
Term funding from central banks [10]	**51,856**	19,163	1,500	large	large
Debt issues	**103,003**	122,548	142,503	(16)	(28)
Loan capital	**29,360**	27,608	27,357	6	7
Loans and other receivables - collateral posted	**(1,337)**	(1,848)	(1,155)	(28)	16
Receivables from financial institutions - collateral posted	**(2,498)**	(4,800)	(6,057)	(48)	(59)
Securities purchased under agreements to resell	**(12,666)**	(18,740)	(14,744)	(32)	(14)
Total funding	**961,539**	911,013	872,162	6	10

[1] Comparative information has been restated to conform to presentation in the current period.
[2] Transaction deposits excludes non-interest bearing deposits (included in other customer deposits).
[3] Other customer deposits primarily consist of non-interest bearing deposits and deposits held at fair value through the Income Statement.
[4] Includes Bank acceptances.
[5] Includes net non-HQLA securities sold or purchased under repurchase agreements and interbank borrowings.
[6] Includes other repurchase agreements not reported above and Vostro balances.
[7] 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.
[8] Includes note issued under the Bank's 3(a)(2) program.
[9] Includes accrued interest payable.
[10] Includes drawings from the TFF, RBNZ Funding for Lending Programme (FLP) and Term Lending Facility (TLF).

5.1 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, investor location, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

Liquidity and Funding Risk Management Framework

The CBA Board is ultimately responsible for the sound and prudent management of liquidity risk across the Group. The Group's liquidity and funding policies, structured under a formal Group Liquidity and Funding Risk Management Framework, are approved by the Board and agreed with APRA. The Group Asset and Liability Committee (ALCO) charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, 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;
- 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 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 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;
- An additional liquidity management model that allows forecasting of liquidity needs on a daily basis;
- 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;
- 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.

5.2 Counterparty and Other Credit Risk 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 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 year 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.

6. Other Information

6.1 Intangible Assets (continuing operations basis)

	As at [1]		
	30 Jun 21	31 Dec 20	30 Jun 20
	$M	$M	$M
Goodwill			
Purchased goodwill at cost	**5,317**	5,269	5,284
Closing balance	**5,317**	5,269	5,284
Computer Software Costs			
Cost	**4,236**	4,091	4,378
Accumulated amortisation	**(2,809)**	(2,757)	(3,082)
Closing balance	**1,427**	1,334	1,296
Brand Names [2]			
Cost	**186**	186	201
Accumulated amortisation	**–**	–	–
Closing balance	**186**	186	201
Other Intangibles [3]			
Cost	**50**	239	267
Accumulated amortisation	**(38)**	(148)	(157)
Closing balance	**12**	91	110
Total intangible assets	**6,942**	6,880	6,891

[1] Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in Note 1.1 of the 2021 Annual Report.

[2] Brand names include 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. The brand name is not subject to amortisation, but requires annual impairment testing. No impairment was recognised during the year. During the year ended 30 June 2021, Aussie Home Loans brand name of $15 million was reclassified to assets held for sale and subsequently derecognised.

[3] During the year ended 30 June 2021, customer relationships intangibles of $15 million in relation to Aussie Home Loans were reclassified to assets held for sale and subsequently derecognised.

6.2 ASX Appendix 4E

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Results for Announcement to the Market (Rule 4.3A Item No. 2)	**Inside Front Cover**
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Commentary on Results (Rule 4.3A Item No. 14)	**Section 3 to 5**
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Details of entities over which control was gained and lost during the period (Rule 4.3A Item No. 10)

On 21 December 2020, the Group gained control over Doshii Connect Pty Ltd.

On 3 May 2021, the Group gained control over Whitecoat Holdings Pty Ltd and Whitecoat Operating Pty Ltd.

On 3 May 2021, the Group lost control over the following entities: AHL Holdings Pty Ltd, The AHL Unit Trust, AHL Investments Pty Ltd, Aussie Home Loans Pty Limited, Aussie Centre Administration Pty Limited, Aussiehomeloans.com.au Pty Ltd and Australian Investment Exchange Limited (AUSIEX).

Details of Associates and Joint Ventures (Rule 4.3A Item No. 11)

As at 30 June 2021	Ownership Interest Held (%)
Aegis Securitisation Nominees Pty Ltd	50%
Aegis Securitisation Trust	50%
First State Cinda Fund Management Company Limited	46%
Lendi Group Pty Ltd	42%
Countplus Limited	36%
Payble Pty Ltd	31%
Trade Window Limited	26%
Amber Electric Pty Ltd	25%
BPAY Group Holding Pty Ltd	25%
Carousale Pty Limited	23%
Vietnam International Commercial Joint Stock Bank	20%
Payments NZ Limited	19%
PEXA Group Limited	19%
Australian Business Growth Fund Pty Ltd	19%
Silicon Quantum Computing Pty Ltd	17%
Qilu Bank Co., Ltd	16%
Lygon 1B Pty Ltd	16%
Bank of Hangzhou Co., Ltd	16%

6.2 ASX Appendix 4E (continued)

Other Significant Information (Rule 4.3A Item No. 12)

Subsequent events

Dividend Reinvestment Plan (DRP)

The Bank expects the DRP for the final dividend for the year ended 30 June 2021 will be satisfied in full by an on-market purchase of shares of approximately $557 million.

Divestment of 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. The sale is subject to regulatory approvals and is expected to complete in the second half of calendar year 2021. As a result of changes to the fee structures of certain CFS products and other impacts to the earnings of CFS associated with its separation from the Group, the Group and KKR have agreed to amend certain financial terms of the sale subsequent to 30 June 2021, including to the originally expected proceeds of $1.7 billion. These amendments are not expected to have a material impact on the financial outcomes from the transaction.

Transfer of Commonwealth Financial Planning business

On 28 July 2021, the Group entered into an agreement with AIA Australia for a partial transfer of the Commonwealth Financial Planning (CFP) business to AIA Financial Services Limited. The transaction is expected to complete in the second half of calendar year 2021. The Group expects to recognise a post-tax loss of approximately $52 million mainly resulting from the write-down of assets to fair value less cost to sell.

Share buy-back

On 11 August 2021, the Bank announced its intention to undertake an off-market buy-back of up to $6 billion of shares. Shareholder participation in the buy-back is voluntary. The Bank reserves the right to vary, suspend or terminate the buy-back at any time.

Impact of coronavirus (COVID-19)

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of economic recovery. In accordance with AASB 110 *Events after the Reporting Period*, the Group considered whether events after the reporting period confirmed conditions existing before the reporting date. Consideration was given to the macro-economic impact of lockdowns implemented across New South Wales, Victoria and South Australia; the closure of state borders, and the extension of further government support measures. The Group did not identify any subsequent events precipitated by COVID-19 related developments, which would require adjustment to the amounts or disclosures in the financial statements. Further, no other material non-adjusting subsequent events relating to COVID-19 were identified requiring disclosure in the financial statements. Given the fluid nature of the current situation, the Group will continue to regularly review forward looking assumptions and forecast economic scenarios.

Completed transactions

TymeDigital SA

On 1 November 2018, the Group completed the sale of Commonwealth Bank of South Africa (Holding Company) Limited (TymeDigital SA) to the minority shareholder, African Rainbow Capital, resulting in a total post-tax loss of $113 million.

Colonial First State Global Asset Management

On 31 October 2018, the Group announced the sale of Colonial First State Global Asset Management (CFSGAM) to Mitsubishi UFJ Trust and Banking Corporation (MUTB). The sale of CFSGAM completed on 2 August 2019, resulting in a total post-tax gain of $1,617 million (net of transaction and separation costs). This includes a $1,688 million post-tax gain net of transaction and separation costs recognised during the half year ended 31 December 2019, and $71 million of post-tax transaction and separation costs recognised during the year ended 30 June 2019.

Count Financial

On 13 June 2019, the Group announced the sale of its 100% interest in Count Financial Limited (Count Financial) to CountPlus Limited (CountPlus) for $2.5 million. The sale completed on 1 October 2019, resulting in a post-tax gain of $19 million (net of transaction and separation costs). This includes a post-tax gain of $52 million (net of transaction and separation costs) recognised during the half year ended 31 December 2019, and post-tax impairment losses of $26 million and post-tax transaction and separation costs of $7 million recognised during the half year ended 30 June 2019. Upon completion, the Group provided an indemnity to CountPlus capped at $200 million, which was increased to $300 million on 29 July 2020. Refer to Note 7.1 of the 2021 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..

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.

Life insurance business 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).

6.2 ASX Appendix 4E (continued)

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 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.

The sale was completed via a statutory asset transfer on 1 April 2021, and all proceeds have been 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. The sale completed on 3 May 2021, resulting in a post-tax gain of $49 million (net of transaction and separation costs). This includes $23 million of transaction and separation costs recognised during the year ended 30 June 2020. As AUSIEX did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

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. The sale completed on 3 May 2021, resulting in a post-tax gain of $253 million (net of transaction and separation costs). Upon completion, the Group retained a 44% shareholding in the combined business. Subsequently, on 7 May 2021, the Group sold a portion of its investment, reducing its shareholding to 42%. As Aussie Home Loans did not constitute a major line of the Group's business, it was not classified as a discontinued operation.

Ongoing transactions

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 second half of calendar year 2021.

CommInsure General Insurance

On 21 June 2021, the Group announced the sale of CommInsure General Insurance to Hollard Insurance Company Pty Ltd (Hollard). As part of the sale, the Group established an exclusive 15-year strategic alliance with Hollard for the distribution of home and motor vehicle insurance products. On completion, the Group is expected to receive proceeds of approximately $625 million, subject to completion adjustments, together with deferred business milestone payments and additional investment from Hollard throughout the 15-year strategic alliance. The sale is subject to Australian regulatory approvals and other conditions, and is expected to complete in mid-calendar year 2022. As CommInsure General Insurance did not constitute a major line of the Group's business, it was not classified as a discontinued operation, and it did not meet the held for sale classification criteria as at 30 June 2021.

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 2021 Annual Report.

During the year ended 30 June 2021, the Group recognised an increase in the provision for Aligned Advice remediation issues and program costs of $273 million, including ongoing service fees charged where no service was provided.

As at 30 June 2021, the provision held by the Group in relation to Aligned Advice remediation was $1,018 million (31 December 2020: $896 million; 30 June 2020: $804 million). The provision includes $468 million for customer fee refunds (31 December 2020: $436 million; 30 June 2020: $418 million), $423 million for interest on fees subject to refunds (31 December 2020: $329 million; 30 June 2020: $280 million) and $127 million for costs to implement the remediation program (31 December 2020: $131 million; 30 June 2020: $106 million).

The Group's estimate of the proportion of fees to be refunded is based on sample testing and allows for a threshold below which customers will be automatically refunded without detailed assessment. It assumes an average refund rate across licensees of 39% (31 December 2020: 37%; 30 June 2020: 37%). 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 30 June 2021, the provision held by the Group in relation to Banking and other Wealth Management customer

6.2 ASX Appendix 4E (continued)

remediation programs was $159 million (31 December 2020: $174 million; 30 June 2020: $227 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, 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 in accordance with the principles outlined in the accounting policy section of this note.

Litigation

The main litigated claims against the Group as at 30 June 2021 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 investment schemes and that CBA was involved in CFSIL/AIL's breaches. CBA, CFSIL and AIL deny the allegations and are defending the proceedings.

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. A mediation in this matter is likely in the last quarter of 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. A mediation in this matter is likely in the first quarter of 2022.

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

6.2 ASX Appendix 4E (continued)

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 are defending 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, 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 is defending 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 made against it in the amended complaint.

On 21 March 2021, CBA reached an agreement in principle with the plaintiffs to settle the action, the terms of which are currently confidential. The parties are in the process of negotiating the terms of a Deed of Settlement, which will be subject to Court approval. The approval hearing is likely to take place in 2022.

The Group has provided for legal costs expected to be incurred in the matter and the agreed settlement sum.

Consumer credit insurance class action

On 10 June 2020, a class action was commenced against CBA and CMLA in the Federal Court of Australia. The claim relates to consumer credit insurance for credit cards and personal loans that was sold between 1 January 2010 and 7 March 2018. The class action alleges that CBA and CMLA engaged in unconscionable and misleading or deceptive conduct, failed to act in the best interests of customers and provided them with inappropriate advice. In particular, it is alleged that some customers were excluded from claiming certain benefits under the policies and the insurance was therefore unsuitable or of no value. Allegations are also made in relation to the manner in which the insurance was sold. 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 were misleading or deceptive. A defence to the amended statement of claim was filed on 11 December 2020. A hearing on the question of liability has been listed for 6 September 2021.

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 (CES)

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. A hearing on the question of liability has been listed for 26 April 2022.

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 against CBA in this matter in the Federal Court of Australia. CBA did not defend the proceedings. On 12 February 2021, consistent with CBA's admissions, the Court made declarations that CBA contravened the general

6.2 ASX Appendix 4E (continued)

obligations under the Corporations Act and certain misleading and deceptive conduct provisions of the ASIC Act, in relation to overcharging of interest on certain business overdraft accounts for 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. At a hearing on 6 April 2021, the judge ordered CBA to pay a penalty of $7 million, which has now been paid. The Court is also considering the appropriate form of a corrective notice to be published by CBA.

The Group has provided for legal costs expected to be incurred in relation to the Court's consideration of the corrective notice.

CommSec/AUSIEX

On 1 March 2021, ASIC commenced proceedings against Commonwealth Securities Limited (CommSec) and Australian Investment Exchange Limited (AUSIEX) in the Federal Court of Australia. The proceedings relate to a number of issues including regulatory data requirements, trade confirmations requirements, client monies and brokerage issues. CommSec and AUSIEX are not defending the proceedings. A hearing has been listed for 3 March 2022 to determine penalties. CommSec and AUSIEX have also agreed to enter into a court-ordered compliance program.

AUSIEX was a subsidiary of the CBA Group until 3 May 2021. CBA has assumed carriage of the proceedings on AUSIEX's behalf.

It is currently not possible to determine the ultimate impact of this claim on the Group. The Group has provided for legal costs and the potential liability in this matter.

Monthly Account Fees

On 31 March 2021, ASIC commenced proceedings against CBA in the Federal Court of Australia. The proceedings relate to errors by CBA between 1 June 2010 and 11 September 2019 where monthly account fee waivers were not applied to accounts for certain customers. ASIC is alleging contraventions of certain misleading and deceptive conduct provisions of the ASIC Act and breaches of the general obligations under the Corporations Act. CBA does not accept the way the alleged contraventions have been formulated in the proceedings and is 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.

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 laws 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 of issues which were considered by the Financial Services Royal Commission, as well as a number of other matters notified to, or identified by, regulators.

In addition to possible regulatory actions and reviews, 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 actions and reviews, and possible claims remain uncertain.

Fair Work Ombudsman (FWO) investigation

The FWO is investigating the Group's employee entitlement review and potential breaches by CBA and its related entities, including CommSec, of the Group's current and previous enterprise agreements and of the *Fair Work Act 2009* (Cth). CBA self-disclosed these matters to the FWO and CBA continues to engage with FWO and respond to notices and 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.

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. ASIC accepted a variation to the EU on 16 October 2020. 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.

The EU 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 continues to implement 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)

6.2 ASX Appendix 4E (continued)

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. Twelve Promontory reports have been released. Promontory has noted that the Remedial Action Plan program of work remains on track and all 35 recommendations have now been delivered to Promontory as the independent reviewer by the scheduled due date.

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 and reduced the minimum operational risk capital requirements from an additional $1 billion to an additional $500 million.

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 AML/CTF, sanctions and anti-bribery and corruption) and all business units.

The Group provides updates to AUSTRAC 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 financial crime 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.

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 has developed an enhanced control framework as part of the Final BBSW program. CBA is implementing the program in accordance with the terms of the enforceable undertaking.

Enforceable undertaking to the Office of Australian Information Commissioner (OAIC)

In June 2019, the Australian Information and Privacy 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 addressed these incidents. CBA found no evidence that as a result of these incidents, its customers' personal information was compromised or that there have been any instances of unauthorised access by CBA employees or third parties.

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.

Foreign Entities (Rule 4.3A Item No. 13)

Not applicable.

Compliance Statement (Rule 4.3A Item No. 15)

This preliminary final report for the year ended 30 June 2021 is prepared in accordance with the ASX listing rules. It should be read in conjunction with any announcements to the market made by the Group during the year.

PricewaterhouseCoopers has audited the financial statements contained within the Commonwealth Bank of Australia Annual Report and has issued an unmodified audit report. The Annual Report has been published together with the preliminary report. This preliminary final report has not been subject to audit by PricewaterhouseCoopers. The preceding financial information contained in the Financial Statements section of this preliminary final report includes financial information extracted from the audited financial statements together with financial information that has not been audited.

6.3 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.

	Full Year Ended 30 June 2021			
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]	**24,658**	–	–	**24,658**
Interest expense	**(5,819)**	–	–	**(5,819)**
Net interest income	**18,839**	–	–	**18,839**
Other banking income	**5,007**	242	16	**5,265**
Total banking income	**23,846**	242	16	**24,104**
Funds management income	**165**	–	–	**165**
Insurance income	**145**	–	–	**145**
Total operating income	**24,156**	242	16	**24,414**
Operating expenses	**(11,359)**	(126)	–	**(11,485)**
Loan impairment expense	**(554)**	–	–	**(554)**
Net profit before tax	**12,243**	116	16	**12,375**
Corporate tax (expense)/benefit	**(3,590)**	67	(9)	**(3,532)**
Net profit after income tax from continuing operations	**8,653**	183	7	**8,843**
Net profit after income tax from discontinued operations[3]	**148**	1,190	–	**1,338**
Net profit after income tax	**8,801**	1,373	7	**10,181**

[1] These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserves 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.

6.3 Profit Reconciliation (continued)

	Full Year Ended 30 June 2020 [1]			
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**
Group				
Interest income [3]	**30,162**	–	–	**30,162**
Interest expense	**(11,552)**	–	–	**(11,552)**
Net interest income	**18,610**	–	–	**18,610**
Other banking income	**4,837**	29	136	**5,002**
Total banking income	**23,447**	29	136	**23,612**
Funds management income	**173**	–	–	**173**
Insurance income	**141**	–	–	**141**
Total operating income	**23,761**	29	136	**23,926**
Operating expenses	**(10,996)**	(34)	–	**(11,030)**
Loan impairment expense	**(2,518)**	–	–	**(2,518)**
Net profit before tax	**10,247**	(5)	136	**10,378**
Corporate tax (expense)/benefit	**(3,022)**	75	(43)	**(2,990)**
Net profit after income tax from continuing operations	**7,225**	70	93	**7,388**
Net profit after income tax from discontinued operations [4]	**182**	2,022	–	**2,204**
Net profit after income tax	**7,407**	2,092	93	**9,592**

[1] Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in Note 1.1 of the 2021 Annual Report.

[2] These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserves 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.

6.3 Profit Reconciliation (continued)

	Half Year Ended 30 June 2021			
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]	**11,872**	–	–	**11,872**
Interest expense	**(2,404)**	–	–	**(2,404)**
Net interest income	**9,468**	–	–	**9,468**
Other banking income	**2,588**	301	22	**2,911**
Total banking income	**12,056**	301	22	**12,379**
Funds management income	**85**	–	–	**85**
Insurance income	**54**	–	–	**54**
Total operating income	**12,195**	301	22	**12,518**
Operating expenses	**(5,768)**	(65)	–	**(5,833)**
Loan impairment expense	**328**	–	–	**328**
Net profit before tax	**6,755**	236	22	**7,013**
Corporate tax (expense)/benefit	**(1,970)**	48	(7)	**(1,929)**
Net profit after income tax from continuing operations	**4,785**	284	15	**5,084**
Net profit after income tax from discontinued operations [3]	**49**	179	–	**228**
Net profit after income tax	**4,834**	463	15	**5,312**

[1] These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserves 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.

Appendices (continued)

6.4 Analysis Template

	Full Year Ended [1, 2]		Half Year Ended [1, 2]	
	30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
Ratios - Output Summary (continuing operations basis)	**$M**	$M	**$M**	$M
Earnings Per Share (EPS)				
Net profit after tax - "cash basis"	**8,653**	7,225	**4,785**	3,868
Average number of shares (M) - "cash basis"	**1,771**	1,769	**1,772**	1,770
Earnings Per Share basic - "cash basis" (cents)	**488. 5**	408. 5	**270. 0**	218. 5
Net profit after tax - "statutory basis"	**8,843**	7,388	**5,084**	3,759
Average number of shares (M) - "statutory basis"	**1,771**	1,768	**1,772**	1,770
Earnings Per Share basic - "statutory basis" (cents)	**499. 2**	417. 8	**286. 8**	212. 3
Interest expense (after tax) - PERLS VII	**46**	59	**23**	23
Interest expense (after tax) - PERLS VIII	**42**	47	**21**	21
Interest expense (after tax) - PERLS IX	**50**	60	**25**	25
Interest expense (after tax) - PERLS X	**35**	43	**17**	18
Interest expense (after tax) - PERLS XI	**44**	53	**22**	22
Interest expense (after tax) - PERLS XII	**37**	28	**18**	19
Interest expense (after tax) - PERLS XIII	**6**	–	**6**	–
Profit impact of assumed conversions (after tax)	**260**	290	**132**	128
Weighted average number of shares - PERLS VII (M)	**44**	37	**37**	44
Weighted average number of shares - PERLS VIII (M)	**21**	18	**18**	22
Weighted average number of shares - PERLS IX (M)	**24**	20	**20**	24
Weighted average number of shares - PERLS X (M)	**20**	17	**17**	20
Weighted average number of shares - PERLS XI (M)	**24**	20	**19**	24
Weighted average number of shares - PERLS XII (M)	**24**	13	**20**	24
Weighted average number of shares - PERLS XIII (M)	**4**	–	**7**	–
Weighted average number of shares - Employee share plans (M)	**2**	2	**2**	2
Weighted average number of shares - dilutive securities (M)	**163**	127	**140**	160
Net profit after tax - "cash basis"	**8,653**	7,225	**4,785**	3,868
Add back profit impact of assumed conversions (after tax)	**260**	290	**132**	128
Adjusted diluted profit for EPS calculation	**8,913**	7,515	**4,917**	3,996
Average number of shares (M) - "cash basis"	**1,771**	1,769	**1,772**	1,770
Add back weighted average number of shares (M)	**163**	127	**140**	160
Diluted average number of shares (M)	**1,934**	1,896	**1,912**	1,930
Earnings Per Share diluted - "cash basis" (cents)	**460. 7**	396. 1	**257. 1**	207. 1
Net profit after tax - "statutory basis"	**8,843**	7,388	**5,084**	3,759
Add back profit impact of assumed conversions (after tax)	**260**	290	**132**	128
Adjusted diluted profit for EPS calculation	**9,103**	7,678	**5,216**	3,887
Average number of shares (M) - "statutory basis"	**1,771**	1,768	**1,772**	1,770
Add back weighted average number of shares (M)	**163**	127	**140**	160
Diluted average number of shares (M)	**1,934**	1,895	**1,912**	1,930
Earnings Per Share diluted - "statutory basis" (cents)	**470. 6**	404. 8	**272. 7**	201. 4

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

[2] Calculations are based on actual numbers prior to rounding to the nearest million.

6.4 Analysis Template (continued)

	Full Year Ended [1, 2]		Half Year Ended [1, 2]	
	30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
Ratios - Output Summary (including discontinued operations)	**$M**	$M	**$M**	$M
Earnings Per Share (EPS)				
Net profit after tax - "cash basis"	**8,801**	7,407	**4,834**	3,967
Average number of shares (M) - "cash basis"	**1,771**	1,769	**1,772**	1,770
Earnings Per Share basic - "cash basis" (cents)	**496. 9**	418. 8	**272. 7**	224. 1
Net profit after tax - "statutory basis"	**10,181**	9,592	**5,312**	4,869
Average number of shares (M) - "statutory basis"	**1,771**	1,768	**1,772**	1,770
Earnings Per Share basic - "statutory basis" (cents)	**574. 8**	542. 4	**299. 7**	275. 0
Interest expense (after tax) - PERLS VII	**46**	59	**23**	23
Interest expense (after tax) - PERLS VIII	**42**	47	**21**	21
Interest expense (after tax) - PERLS IX	**50**	60	**25**	25
Interest expense (after tax) - PERLS X	**35**	43	**17**	18
Interest expense (after tax) - PERLS XI	**44**	53	**22**	22
Interest expense (after tax) - PERLS XII	**37**	28	**18**	19
Interest expense (after tax) - PERLS XIII	**6**	–	**6**	–
Profit impact of assumed conversions (after tax)	**260**	290	**132**	128
Weighted average number of shares - PERLS VII (M)	**44**	37	**37**	44
Weighted average number of shares - PERLS VIII (M)	**21**	18	**18**	22
Weighted average number of shares - PERLS IX (M)	**24**	20	**20**	24
Weighted average number of shares - PERLS X (M)	**20**	17	**17**	20
Weighted average number of shares - PERLS XI (M)	**24**	20	**19**	24
Weighted average number of shares - PERLS XII (M)	**24**	13	**20**	24
Weighted average number of shares - PERLS XIII (M)	**4**	–	**7**	–
Weighted average number of shares - Employee share plans (M)	**2**	2	**2**	2
Weighted average number of shares - dilutive securities (M)	**163**	127	**140**	160
Net profit after tax - "cash basis"	**8,801**	7,407	**4,834**	3,967
Add back profit impact of assumed conversions (after tax)	**260**	290	**132**	128
Adjusted diluted profit for EPS calculation	**9,061**	7,697	**4,966**	4,095
Average number of shares (M) - "cash basis"	**1,771**	1,769	**1,772**	1,770
Add back weighted average number of shares (M)	**163**	127	**140**	160
Diluted average number of shares (M)	**1,934**	1,896	**1,912**	1,930
Earnings Per Share diluted - "cash basis" (cents)	**468. 4**	405. 7	**259. 7**	212. 2
Net profit after tax - "statutory basis"	**10,181**	9,592	**5,312**	4,869
Add back profit impact of assumed conversions (after tax)	**260**	290	**132**	128
Adjusted diluted profit for EPS calculation	**10,441**	9,882	**5,444**	4,997
Average number of shares (M) - "statutory basis"	**1,771**	1,768	**1,772**	1,770
Add back weighted average number of shares (M)	**163**	127	**140**	160
Diluted average number of shares (M)	**1,934**	1,895	**1,912**	1,930
Earnings Per Share diluted - "statutory basis" (cents)	**539. 7**	521. 0	**284. 7**	258. 9

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

2 Calculations are based on actual numbers prior to rounding to the nearest million.

6.4 Analysis Template (continued)

	Full Year Ended [1, 2]		Half Year Ended [1, 2]	
Dividends Per Share (DPS)	**30 Jun 21**	30 Jun 20	**30 Jun 21**	31 Dec 20
Dividends (including discontinued operations)	**$M**	$M	**$M**	$M
Dividends per share (cents) - fully franked	**350**	298	**200**	150
No. of shares at end of period excluding Treasury shares deduction (M)	**1,774**	1,770	**1,774**	1,774
Total dividends ($M)	**6,209**	5,275	**3,548**	2,661
Dividend payout ratio - "cash basis"				
Net profit after tax - attributable to ordinary shareholders ($M)	**8,801**	7,407	**4,834**	3,967
Total dividends ($M)	**6,209**	5,275	**3,548**	2,661
Payout ratio - "cash basis" (%)	**70. 55**	71. 22	**73. 40**	67. 08
Dividend cover				
Net profit after tax - attributable to ordinary shareholders ($M)	**8,801**	7,407	**4,834**	3,967
Total dividends ($M)	**6,209**	5,275	**3,548**	2,661
Dividend cover - "cash basis" (times)	**1. 4**	1. 4	**1. 4**	1. 5

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

2 Calculations are based on actual numbers prior to rounding to the nearest million.

	Full Year Ended [1, 2]		Half Year Ended [1, 2]	
	30 Jun 21	30 Jun 20	**30 Jun 21**	31 Dec 20
Ratios - Output Summary (continuing operations basis)	**$M**	$M	**$M**	$M
Return on Equity (ROE)				
Return on Equity - "cash basis"				
Average net assets	**75,192**	70,842	**76,819**	73,429
Less:				
Average non-controlling interests	**(5)**	(37)	**(5)**	(5)
Average equity	**75,187**	70,805	**76,814**	73,424
Add average treasury shares	**–**	28	**–**	–
Net average equity	**75,187**	70,833	**76,814**	73,424
Net profit after tax - "cash basis"	**8,653**	7,225	**4,785**	3,868
ROE - "cash basis" (%)	**11. 5**	10. 2	**12. 6**	10. 5
Return on Equity - "statutory basis"				
Average net assets	**75,192**	70,842	**76,819**	73,429
Average non-controlling interests	**(5)**	(37)	**(5)**	(5)
Average equity	**75,187**	70,805	**76,814**	73,424
Net profit after tax - "statutory basis"	**8,843**	7,388	**5,084**	3,759
ROE - "statutory basis" (%)	**11. 8**	10. 4	**13. 3**	10. 2

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

2 Calculations are based on actual numbers prior to rounding to the nearest million.

6.4 Analysis Template (continued)

Ratios - Output Summary (including discontinued operations)	Full Year Ended[1, 2] 30 Jun 21 $M	 30 Jun 20 $M	Half Year Ended[1, 2] 30 Jun 21 $M	 31 Dec 20 $M
Return on Equity (ROE)				
Return on Equity - "cash basis"				
Average net assets	**75,192**	70,842	**76,819**	73,429
Less:				
Average non-controlling interests	**(5)**	(37)	**(5)**	(5)
Average equity	**75,187**	70,805	**76,814**	73,424
Add average treasury shares	**–**	28	**–**	–
Net average equity	**75,187**	70,833	**76,814**	73,424
Net profit after tax - "cash basis"	**8,801**	7,407	**4,834**	3,967
ROE - "cash basis" (%)	**11. 7**	10. 5	**12. 7**	10. 7
Return on Equity - "statutory basis"				
Average net assets	**75,192**	70,842	**76,819**	73,429
Average non-controlling interests	**(5)**	(37)	**(5)**	(5)
Average equity	**75,187**	70,805	**76,814**	73,424
Net profit after tax - "statutory basis"	**10,181**	9,592	**5,312**	4,869
ROE - "statutory basis" (%)	**13. 5**	13. 5	**13. 9**	13. 2
Net Tangible Assets per share				
Net assets	**78,718**	71,938	**78,718**	74,920
Less:				
Intangible assets	**(7,642)**	(7,596)	**(7,642)**	(7,640)
Non-controlling interests	**(5)**	(5)	**(5)**	(5)
Total net tangible assets	**71,071**	64,337	**71,071**	67,275
No. of shares at end of period excluding Treasury shares deduction (M)	**1,774**	1,770	**1,774**	1,774
Net Tangible Assets per share ($)	**40. 06**	36. 34	**40. 06**	37. 92

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

[2] Calculations are based on actual numbers prior to rounding to the nearest million.

6.5 Group Performance Summary

	Summary from continuing operations						Summary including discontinued operations					
	Full Year Ended [1] ("cash basis")			Half Year Ended [1] ("cash basis")			Full Year Ended [1] ("cash basis")			Half Year Ended [1] ("cash basis")		
Group Performance Summary	**30 Jun 21 $M**	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Dec 20 %	**30 Jun 21 $M**	30 Jun 20 $M	Jun 21 vs Jun 20 %	**30 Jun 21 $M**	31 Dec 20 $M	Jun 21 vs Dec 20 %
Net interest income	**18,839**	18,610	1	**9,468**	9,371	1	**18,842**	18,645	1	**9,469**	9,373	1
Other banking income	**5,007**	4,837	4	**2,588**	2,419	7	**5,064**	4,875	4	**2,612**	2,452	7
Total banking income	**23,846**	23,447	2	**12,056**	11,790	2	**23,906**	23,520	2	**12,081**	11,825	2
Funds management income	**165**	173	(5)	**85**	80	6	**867**	1,046	(17)	**446**	421	6
Insurance income	**145**	141	3	**54**	91	(41)	**145**	191	(24)	**54**	91	(41)
Total operating income	**24,156**	23,761	2	**12,195**	11,961	2	**24,918**	24,757	1	**12,581**	12,337	2
Operating expenses	**(11,359)**	(10,996)	3	**(5,768)**	(5,591)	3	**(11,910)**	(11,729)	2	**(6,084)**	(5,826)	4
Loan impairment expense	**(554)**	(2,518)	(78)	**328**	(882)	large	**(554)**	(2,518)	(78)	**328**	(882)	large
Net profit before tax	**12,243**	10,247	19	**6,755**	5,488	23	**12,454**	10,510	18	**6,825**	5,629	21
Corporate tax expense	**(3,590)**	(3,022)	19	**(1,970)**	(1,620)	22	**(3,653)**	(3,100)	18	**(1,991)**	(1,662)	20
Non-controlling interests	**–**	–	–	**–**	–	–	**–**	(3)	large	**–**	–	–
Net profit after tax	**8,653**	7,225	20	**4,785**	3,868	24	**8,801**	7,407	19	**4,834**	3,967	22
Net profit after tax from discontinued operations	**148**	182	(19)	**49**	99	(51)	**–**	–	–	**–**	–	–
Net profit after tax including discontinued operations	**8,801**	7,407	19	**4,834**	3,967	22	**8,801**	7,407	19	**4,834**	3,967	22

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[1] Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in Note 1.1 of the 2021 Annual Report.

6.6 Foreign Exchange Rates

Exchange Rates Utilised [1]	Currency	As at 30 Jun 21	30 Jun 20	31 Dec 20
AUD 1.00 =	USD	**0. 7521**	0. 6854	0. 7705
	EUR	**0. 6319**	0. 6114	0. 6270
	GBP	**0. 5431**	0. 5584	0. 5657
	NZD	**1. 0740**	1. 0705	1. 0667
	JPY	**83. 1173**	73. 8002	79. 4750

[1] End of day, Sydney time.

		Full Year Ended		Half Year Ended	
Average Exchange Rates Utilised	**Currency**	**30 Jun 21**	30 Jun 20	**30 Jun 21**	31 Dec 20
AUD 1.00 =	USD	**0. 7467**	0. 6715	**0. 7714**	0. 7228
	EUR	**0. 6260**	0. 6071	**0. 6400**	0. 6123
	GBP	**0. 5546**	0. 5330	**0. 5557**	0. 5536
	NZD	**1. 0742**	1. 0544	**1. 0756**	1. 0727
	JPY	**79. 5463**	72. 6127	**83. 0721**	76. 0995

6.7 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.
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.
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 Retail Banking Services.
Corporate Centre and Other	Corporate Centre and Other include the results of the Group's centrally held minority investments and subsidiaries, Group-wide remediation costs, investment spend including enterprise-wide infrastructure and other strategic projects, employee entitlements, and unallocated revenue and expenses relating to the Bank's support functions including Treasury, Investor Relations, Group Strategy, Legal and Corporate Affairs and Bank-wide elimination entries arising on consolidation.
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.
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.
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 Basel III Pillar 3 report.
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.

Term	Description
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.
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.
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.
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.
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.
Weighted average number of shares ("cash basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investment in the Bank's shares held by the employee share scheme trust.
Weighted average number of shares ("statutory basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investment in the Bank's shares held by both the life insurance statutory funds and the employee share scheme trust.

Appendices (continued)

Market Share Definitions

Retail Banking Services	
Home loans (APRA)	CBA Loans to individuals that are Owner Occupied and Investment Home Loans (including Securitisation) as per APRA monthly ADI Statistics, **divided by** APRA Monthly ADI Statistics back series.
Home Loans (RBA)	CBA Loans to individuals that are Owner Occupied and Investment Home Loans (including Securitisation) 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 Businesses 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, and the category of General Government, **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 Businesses 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.
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).

Market Share Definitions

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 Zenith Investment Partners).